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# CREDIT

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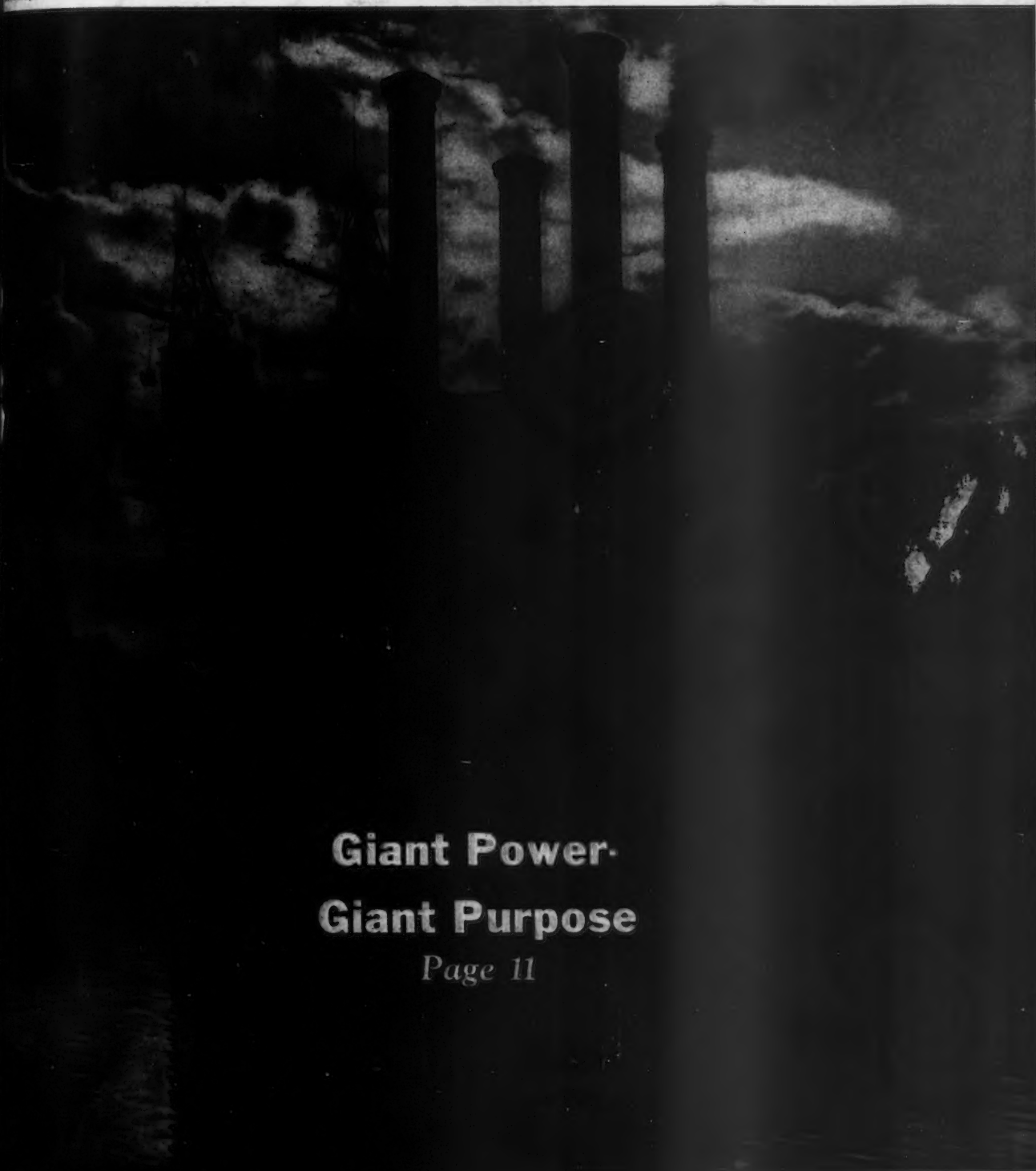
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## MONTHLY

February, 1930  
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**Giant Power.  
Giant Purpose**  
Page 11

CO, CAL.  
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XUM

# What are your plans for 1930?

When you and your associates discuss business plans for 1930 and the question of a more helpful banking connection comes up, we invite you personally to investigate the facilities of The Equitable.

\* \* \*

You probably know that The Equitable today stands well-equipped with those attributes which big banks frequently bring to the attention of the public—but how do these facilities become more valuable in one institution than in another?

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\* \* \*

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Take for granted the wide attributes of modern banking, but remember that Equitable Service reaches beyond. It centers in the friendship, experience, and knowledge of our officers and their ability and willingness to use the facilities of a great modern bank in serving you.

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## This Issue and the Next

**W**HAT will your credit experience mean to you fifteen or twenty years hence?

About twenty years ago a promising young credit man was asking himself this question. Today this credit man is one of the leading officials in the White House and finds his credit experience of great help in administering his official duties as Assistant to President Hoover. Read his analysis of the values to be derived from credit experience, as given in the article which begins on page 7.

The cotton industry presents many unusual credit problems. How these problems are met and solved is told by Eugene McElvaney, Assistant to President of the First National Bank, Dallas, Texas, in his article beginning on page 12.

Every credit executive should understand the significance of bank clearings as a business index. Ex-

cepting bankers there is probably no executive in business today who should be as familiar with the economics of bank clearings as the credit official. This issue of CREDIT MONTHLY gives a lucid analysis of bank clearings that will strengthen the interpretive background of every business man. Read this analysis on page 14.

One of the first surveys to be made on credit conditions and collections in Latin America is offered in the February CREDIT MONTHLY. Every executive who is interested in Latin American trade should give careful attention to the survey described on page 24.

Arbitration is a significant force in the administration of American business problems and many of its principles are readily adaptable to the major difficulties that are often met in the supervision of credits. One of

America's leading financiers discusses arbitration and its application to credit on page 18.

### Next Month

With so much material of concrete bed-rock value in the February CREDIT MONTHLY, you will probably be interested to know what the March issue will bring you. The feature article for the March number will be perhaps one of the most noteworthy articles CREDIT MONTHLY ever carried. Eugene G. Grace, President of Bethlehem Steel Corporation writes for this number an article on the steel industry and its importance to the credit man.

Dr. Stephen I. Miller also offers an article on "Iron and Steel as a Business Barometer." This is the third of Dr. Miller's series of business indices.

Credit Departments are generally not placed in the category of producing departments, but the Brown Shoe Company of St. Louis, Missouri, has worked out a service plan that builds volume through credit administration. A description of this service plan will be published in the March CREDIT MONTHLY.

How would you like to analyze a financial statement that offers a number of unusual twists and that will give you some real mental gymnastics? A financial statement of this kind will appear in the March CREDIT MONTHLY and after you have worked out your solution, you will be able to compare it with the model solution offered in the same issue. You will enjoy testing your analytical ability on this statement.

This is merely an idea of what the CREDIT MONTHLY will bring you for March. Tell all of your credit friends about the important contents for this number and be sure that they have the opportunity of reading them.



### Service — an abused word

No word in the English language is so worked to death as *Service*. In nine times out of ten it means promise without performance.

With us it means that in thirty odd years, \$175,000,000 have been paid out in claims.

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## THE NATIONAL MAGAZINE OF BUSINESS FUNDAMENTALS

# CREDIT

## MONTHLY

ONE PARK AVENUE, NEW YORK

CHESTER H. McCALL, Editor

THE NEW HEADING shown above and on the cover of this issue is the result of a search for a new, thoroughly modern and vigorous typographical design. The type used is called Bifur, and is the most recent creation of the celebrated French poster artist and designer, Mouron Cassandre, whose work for railroads, department stores and manufacturing concerns is conspicuous throughout Europe.

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CREDIT  
MONTHLY  
Feb., 1930

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No. 2

## .....EVENT AND COMMENT.....

### Mass Credits and Microscopes

AMERICAN BUSINESS is mass-minded. It is customary for business to think in terms of mass-financing, mass-production and mass-distribution. Can the mass-principle be applied successfully to credit?

Lawrence Whitty, President of the National Association of Credit Men, who is serving on the Finance Committee set up at the Hoover Conference, at that time offered this interpretation of mass credit:

"We have been thinking so much in terms of mass production and mass distribution that we have slowly, perhaps unconsciously, evolved into the practice of mass credits. The business executive in the confusion and stress of rapid economic changes has been insistent upon volume, and under the highly competitive conditions that have existed, sound credit principles have given way. By this process we have built up an over-extended, under-nourished retail group, the widening fringes of which would perhaps be found, upon close analysis, to be a heavy economic burden."

Credit administration must be individualistic. The application of mass principles to the specific requirements of credit problems will result in over-extensions and an uneconomic inflation of volume. Mass principles cannot be applied any more successfully to the credit system than they can be applied to surgery. There may be a thousand credit cases, all uniform in general principles, but strikingly different in specific details. It is the specific details that may determine the decision as to the credit risk and there is no satisfactory method of applying mass principles to these intricacies of the credit system. Credit risks must be examined microscopically if the proper balance is to be maintained between volume and risk. One would not use a telescope to examine a series of objects on a table. The telescope applies to a vaster and broader field. Mass principles, in the same way, apply to a broader field and cannot be adapted to the definite particularization of credit problems. Mass credits and microscopes do not co-ordinate and any attempt to relate these principles in a practical way will probably result in an increasing economic burden.



### Climbing a Mountain Backwards

DID YOU EVER SEE a man climbing a mountain backwards? You would consider it foolhardy to walk backwards up a mountain, with the mountain top as your objective. Yet many people climb the mountain of achievement backwards be-

cause their chief pleasure consists in looking down upon what they have passed by. The right kind of climbing is always done with eyes *fixed* on the top. Climbers in life are always forging upward toward the summit with one of these two objectives as an impelling motive.

The man who climbs a mountain backwards does not really have the summit as his objective. His eyes are fixed on what is beneath him instead of what is above him. Climbing a mountain backwards is very tiring. Generally a man's intentness on what is below becomes so ardent that he sits down in order to gaze below with greater ease. And the top of the mountain rises magnificently above him forever.



### World Gold and the Credit Executive

PROFESSOR IRVING FISHER, in a letter to the Editor of CREDIT MONTHLY, dated January 20, said, "Gold is the basis of bank credit, hence anything which affects the gold reserve is of vital importance to credit men.

A world wide scarcity of gold is threatened because business is expanding faster than the gold supply. Credit men, whose livelihood depends upon sound business, should be fully alive to the dangers of a scarcity of gold and should use their utmost efforts to avert the evils attendant upon it."

What can the credit executive do to "keep fully alive to the dangers of a scarcity of gold"? What efforts can he put forth to "avert the evils attendant upon" a scarcity of gold?

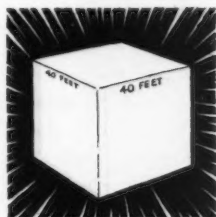
A thorough study of the economics of the gold supply will pay high administrative dividends to every credit

**CREDIT MONTHLY**

official. It has been computed that all the gold ever mined in the world would make a cube about forty feet on a side. World credit is built on this substructure of gold. This gold supply represents, largely, the reservoir out of which world purchasing power is drawn for economic use.

Professor Fisher believes that the root of part of the present business deflation lies in the slackening world production of gold. He believes, however, that there is now ample gold to meet the present money and credit needs of expanding American business. He affirms that the present deflation has been only a mild recession in comparison to the debacle that may set in should the gold famine imminent within the next two or three years not be counteracted by firm, sound measures.

The credit executive is one of the pivot men in taking firm measures to counteract any depression that may set in as a result of the gold famine. It is an economic fact that the greater the velocity of money the smaller the reserve requirements of money are. Dams in the streams of purchasing power may impede business progress as seriously as a drying-up of the streams of gold supply. Turnover of money emerges as a prime factor in counteracting any symptoms of depression that may grow out of the impending gold shortage. The credit executive, through the abbreviation of terms of accounts outstanding, can bring about a reduction in the amount of working capital required and a resultant increase in the velocity of money. Time, as an economic value, is represented by interest, and, of course, is equivalent to money. A general abbreviation of terms of accounts outstanding will result in a general release of working capital, a vast saving in interest, and a corresponding increase in money velocity.



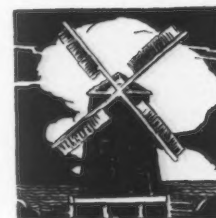
### Edward W. Bok and Credit

THE BUSINESS WORLD, as well as the journalistic world, was saddened by the recent death of Edward W. Bok, editor and philanthropist. Mr. Bok's rise from a Dutch immigrant boy to a position of international rank and reputation is an epic of achievement that is replete with sound object lessons for every man and woman. Mr. Bok, in a talk with the Editor of CREDIT MONTHLY, two years before his death, gave his interpretation of credit in these words:

"The first principle that Dutch parents try to teach their children is the importance of meeting every obligation that is assumed. And Dutch parents always make sure that their children live this principle. Perhaps that

is largely the reason why Dutch people are among the best credit risks in the world. I remember one time my father said, 'My boy, the vanes on the wind mills out there would not turn without the force of the wind. The man who always keeps his word possesses a force much more powerful than the force of the wind that turns the vanes.' The fact that truth could be stronger than the wind that turned the vanes of the windmills lodged in my boy-mind. I have never forgotten it. Long before I thought of making a million dollars I am sure that my credit was good for that amount. I often made it a rule to measure men's chances of financial success by their credit potentialities."

Mr. Bok also gave his favorite maxim: *Give to the world the best you have and the best will come back to you.* This is another interpretation of the life-principle that one of the best ways of "getting" is through "giving".



### Credit Interchange Among Stock Exchange Firms

THE STOCK EXCHANGE DEBACLE in October and November, 1929, brought about a flood of unsatisfactory experiences with customers of brokerage houses. During the break in stock prices, many customers failed to live up to established rules, thus imposing a heavy burden on many stock exchange firms. To illustrate: a customer would place an order by telephone with the promise that he would appear with the money to cover payment for the securities. With the continued sharp break in stock prices the customer would find it inconvenient to appear with his payment, leaving a broker or a customer's man to shoulder a heavy loss through no fault of his own.

The Association of Stock Exchange Firms has established a confidential interchange file in which will be kept information concerning unsatisfactory experiences with any of the customers of brokerage houses. Customers who have failed to live up to these credit promises will find that they are unable to do business through houses which are members. The principle of credit interchange will be initiated in every phase of business as long as man fails to keep his credit promises. Candling tests are used to detect bad eggs. Interchange is the "candling test" in credit, employed to expose those who have not kept their promises.



# "IF"

## For Credit Men

By Geo. H. Griffiths  
The Sherwin-Williams Co., Cleveland

**I**f you can get along with those about you,  
 If you can face each day nor think it long,  
 If things go better with you than without you,  
 If you can nurse the weak and make them strong;  
 If you can get each salesman working with you,  
 If you can demonstrate that you're his friend,  
 If you can show your interests are his too,  
 If you to him can good assistance lend;  
 If you can weigh with skill the facts presented,  
 If you will never make a thoughtless move,  
 If you can make your judgments unresented,  
 If you can wisely sense when to approve;  
 If you can "turn them down" and hold their friendship,  
 If you can tell them why and leave no sting,  
 If you can find a way to "in-the-end-ship,"  
 And by the act no disappointment bring;  
 If you can stay unmoved by undue touting,  
 Yet make allowance for the touting too,  
 If you can shrewdly guess when trouble's sprouting,  
 And promptly act on what seems best to do;  
 If you can hold "Suspense" to reason's limit,  
 If you can keep a minimum "Past Due,"  
 If you will work your job for all that's in it,  
 And never shirk what's clearly up to you;  
 If you will leave your desk and go and find 'em,  
 The debtors who it seems are shunning you,  
 If you can tactfully remind 'em,  
 You must collect what plainly is your due;  
 If you can do the things we've herein cited,  
 (And some have demonstrated that they can),  
 The service will not long go unrequited,  
 For you will be a real Credit Man.





*The manuscript of this interview was one of the documents saved from the recent fire which destroyed a part of the office wing of the White House.*

**O**NE of the most important executive tasks, in this day of prodigious executive undertakings, that has ever been grappled by an administrator is in the hands of a man whose first and most significant business training was in the credit field.

The problem of the reorganization of the administrative branches of the Federal government has been fixed as a Presidential responsibility through legislative action. President Hoover has assigned to Walter H. Newton, one of his three secretaries, the task of reorganizing the executive departments of the Federal government.

Business has suffered from the overlapping of governmental activities. Clear cut results have not always been achieved because of the hampered functioning of government machinery. Bureaus and commissions have been working at cross purposes and have not been correlated properly with major departmental policies and activities. The problem facing Walter Newton is one of vast executive proportions. Its solution means the deletion of a vast amount of executive and administrative waste, and involves executive and legislative harmony.

Newton is faced with a complicated, gigantic chess game. Bureaus must be transferred from one department to another. New lines of authority must be established and old ones severed. Every move must satisfy several different interests. Every change will be scrutinized with microscopic care by legislative committees and by political observers.

Walter Newton now holds one of the most interesting and, at the same



**In an interview with Chester H. McCall, Walter H. Newton, Secretary and Administrative Assistant to President Hoover, whose first business experience was in the credit field, tells how**

## **Credit Experience Helps me in the White House**

time, one of the most difficult jobs in the United States. He handles for the President all bureaus, agencies and commissions which do not come under a cabinet official's jurisdiction. He is the liaison official between the President and Congress; the President's political adviser, and, as just described, in charge of the reorganization of the executive departments of the Federal government.

Mr. Newton, in answer to one of my questions, narrated with some detail his various executive duties; but before setting down what he told me it is well to get an interpretative background of his career by considering his early experience, training, and education.

The interview with Mr. Newton took place in his White House office, just off from the President's office. In this room all cabinet meetings are held, that particular Tuesday's cabinet meeting having been concluded just before my interview with Mr. Newton. Through the windows at his back one can see the spacious, landscaped White House grounds, with their old trees, broad lawns and flower gardens.

As Mr. Newton sat at his desk the thought flashed through my mind that his executive workshop was per-

haps the most inspiring in the world. At his back the picturesque White House grounds—just across the room in front of him the door leading to the President's office—directly in front of him and to the right the Cabinet table where one of the world's greatest executive bodies meets twice a week—what office in the world is mounted in a more illustrious setting?

"As you look back through the years, Mr. Newton," I asked, "what training and experience stands out as being of the most value to you?"

### *Experience in Credits*

"Each stage of a man's experience develops and progresses according to the values obtained in the preceding stage, so it is really difficult to say which stage is the most important," was the answer. "But I look back upon my experience in the credit field as perhaps the most important. I went through the tempering process in this work. Steel must first be toughened and hardened by the tempering process before it can be manufactured into the finest of tools. Untempered steel dulls easily—it is brittle and will not serve for the finest and most difficult work.

"Men are much like steel. If, in

their early development, they go through the proper tempering process, they will have the kind of raw material that can be molded and developed into successful leaders, and there are few experiences that will temper the fibre of a man as credit experience does. That is why I consider my early experience in the credit field of ranking importance."

Mr. Newton received his credit experience with the Dodson-Fisher-Brockman Company, Minneapolis, beginning as an office boy in this wholesale saddlery company and working himself into a position in the credit department where he did adjustment and collection work. Five years of work and intensive law study in spare time brought him to a partnership in a law concern. Another five years passed in law practice and he was named first assistant county attorney of Hennepin County, Minnesota.

His record as county attorney won him election to the 66th Congress in 1919. He served as congressman from the Fifth Minnesota district until he resigned in 1929 to become President Hoover's Secretary.

Mr. Newton first met Herbert Hoover in Paris during the war period when he was one of a party of congressmen for whom Hoover arranged a visit to the battlefields and through Belgium. Newton later came into contact with Mr. Hoover following Mr. Hoover's return home. While Hoover was Secretary of Commerce, Newton was on the House Committee that passed on all Department of Commerce affairs. Immediately after Coolidge gave out his famous "I do not choose to run" statement, Newton was prominent as one of the first congressmen to originate and organize the "Hoover-for-President Congressional Committee."

From these contacts and associations grew strong bonds of friendship and understanding between the two men. Newton worked like a Trojan during the presidential campaign, and daily became more valuable to Herbert Hoover as a political adviser.

Newton is one of the key men of the Hoover Administration. He knows as much about politics as any man in Washington. In government organization and procedure he is both abecedarian and technician.

One of Newton's biggest assets is his likeableness. You haven't



© Wide World Photos

Walter H. Newton adds his signature to a collection of 20,000 famous names

known him ten minutes before you have to remind yourself that you really don't know him well enough to call him "Walter." He has that rare quality of saying, No, and making the person whom he is turning down actually feel happy about his answer.

In his daily work with the President of the United States, Walter Newton finds that many values derived from his early credit training are significant in the proper administration of his duties. He believes that credit training cultivates perception and judgment. It gives a man an unusually clear insight into the tractabilities of human nature. In this connection he told me:

"Out of the credit ranks should come many of the country's ablest men. Certainly no experience develops versatility and tactfulness to such a practical degree. Human nature, in business, society and politics, is essentially the same but in the credit field a man meets human nature in the raw and encounters it in varieties and twists that are not as commonly found in other walks of life."

Newton was doing adjustment and collection work in the early days of the Bankruptcy Act, and he considers some of the problems he had to meet as difficult as any of the complexities he faced in later years.

### *A Lively Collection*

He told me of a collection experience in northern Minnesota, when he went to collect the amount owed by a merchant on several notes that had been given Newton's company for merchandise.

"I arrived in the town several hours after the merchant had left," Newton said. "He had sold out for cash, pocketed the money, and, having put his family in a big touring car, set out for parts remote. I heard that he was headed for the southwest. And there I was, the notes in my hand and my man 'skipped out.' He had left me holding an empty bag.

"I learned that the man had been gone only a few hours, so I reasoned that with a family he could not have traveled very far. I managed to hire a high-riding delivery car, and getting the sheriff to go with me, I set out after the man who had forgotten to take care of his credit.

"After a sixty-mile kangaroo ride over rough and rocky roads the gal-



© Harris & Ewing

*The White House Fully Illuminated for a State Occasion.*

loping delivery wagon reached another town. I discovered that the man I wanted was staying at the hotel, and I found the garage in which he had put his car.

"I managed to locate the court clerk in the town and was able to get an affidavit of garnishment made out. I took the affidavit to the garage man and said, 'Don't let the man who owns this car take it out of your garage—if you do you will have to pay these bills that he owes me,' and I showed him the notes. The eyes of the small-town garage owner widened when he saw the amounts due on the face of the notes. He didn't understand a writ of garnishment, but he was going to make sure that he didn't have to pay the bills.

"When the merchant called for his car the next morning the garage owner refused to give it to him. I was there with the sheriff and as soon as the merchant realized that he had been thwarted in his attempt to beat his credit he wanted to take me to a cleaning.

"I am not a small man myself and the merchant was a burly fellow, so there was raw material for a real scrap. After some heated arguments, however, the merchant dug down in his pocket, pulled out a roll of bills, and sliced off enough to fulfill his obligations. A few minutes later his big car was roaring southward."

Thus the man who is today one

of the most valuable advisers to the President of the United States won a collection case that required quick thinking, ingenuity, speed and courage.

He told me of another time when he was sent out to represent five or six accounts against a debtor who was apparently on the verge of insolvency and against whom bankruptcy proceedings had been instituted. After a thorough analysis Newton advised that an adjustment procedure would keep the man out of bankruptcy. The creditors did not agree. Newton succeeded in winning over the largest creditor. After that, the others reluctantly came around to his way of thinking.

### *Out of Bankruptcy*

"The creditors had expected to get no more than sixty-five cents on the dollar through bankruptcy proceedings," Newton commented. "As a result of the judgment procedure I had with so much difficulty argued into acceptance, every dollar on the accounts was paid inclusive of interest. The attorney's fees on the proceedings that had been started were also paid and the company progressed very successfully thereafter. Many experiences of this kind have convinced me that more economic methods should be used on apparently insolvent businesses. Legal remedies can apply to only part of

*(Continued on page 28)*



# Inland Marine Insurance

**The Basic Principle of this All Risk Coverage is the  
Scheduling of all Merchandise Insured**

**A**N understanding of "Inland Marine Insurance Lines" will help the credit manager to minimize credit risks.

The term "Inland Marine Insurance" is a misnomer, for the many broad and varied insurance policies written by inland marine insurance companies have nothing whatever to do with *marine* terms or conditions. It is true that insured shipments by steamer fall under ocean marine insurance, and insured cargoes transported by railroad and motor trucks and the like come under the heading of "inland marine insurance", but the list of risks which are underwritten by inland marine departments include other than transportation covers.

The majority of "all risks" covers written by inland marine insurance companies are really *schedule* risks. There lies the underwriting secret. These coverages have produced good profit for the insurance companies and yet have served the assured well, for they embody a principle which insurance companies have to some extent been disregarding—the principle of *scheduling everything that is insured*.

For instance, the credit manager of a large department store may have occasion to approve a sale of jewelry to some customer in good standing. The client later insures the jewelry under a so-called "all risk" jewelry floater, an inland marine cover. The policy protects the jewelry against all risks. The particular pieces of jewelry, however, must be described and listed in a *schedule* attached to the policy. It is apparent, therefore, that the majority of these "all risk" policies are not to be confused with *open or broad floaters* that cover unnamed properties anywhere.

One of the valuable features of the so-called inland marine covers, and this is of importance to the credit manager, is the fact that the policies written are not subject to any conference, bureau or so-called board supervision, and therefore the insurance companies can tailor-make their

policies and likewise name their own rates. This is not the case with fire insurance, where the rates are sometimes under state supervision and where every policy must pass through a stamping office for rate and form check-up. Furthermore the allied fire policies such as tornado, explosion, sprinkler leakage, windstorm, etc., are all subject to bureau rating and rules.

Being free from official supervision, the inland marine insurance companies are able to devise coverages and policies to meet special needs and they have been valuable aids to the credit manager in supplying forms of insurance to protect goods in transit and under peculiar conditions which could not be otherwise obtained.

Some of the coverages which are written exclusively by inland marine insurance companies are the transportation of goods on railroads, motor trucks and by coastal steamers; all risk jewelry floaters; all risk fur floaters; registered mail insurance; salesmen's samples floaters; floaters for musical instruments; theatrical floaters; also insurance on radium, laundry bundle insurance, deferred payment insurance, and miscellaneous schedule property lines.

## What Is "All Risk"?

Consider for instance the all risk fur floater, which has proven one of the most popular forms of insurance, being sold mostly to women and covering fur coats against all risks. This insurance protects against theft, loss by fire or as the result of a tornado or any major perils, and excludes only wear and tear, damage by moths or vermin or gradual deterioration. All risk, it will be seen, really refers to major hazards, and of course the all risk conditions vary according to the products covered.

The latest form of coverage to be offered by the inland marine insurance companies is the new *schedule property floater policy*. In fact it is not so new, but really represents insurance which has been written right along under various forms, but now

that a demand has arisen it is issued on a specially devised basic policy to which the forms applying are attached. Again, it is an "all risk" cover, but the property must be scheduled. For instance, under such policies many "odd" risks have already been insured but which, in example, reveal a credit angle worth weighing. For instance, a college insured a large tarpaulin against loss by fire while it was in storage, also against theft, and against damage from lightning, tornado, earthquake and other major perils. This tarpaulin was used to cover the football field during inclement weather and represented an investment of many hundreds of dollars. Certainly this strengthened the credit of the athletic committee, who by means of this policy were not exposed to loss of investment in the tarpaulin.

In another instance, an individual owning a rather expensive set of false teeth desired them insured against all risks, and now false teeth are included as one of the articles regularly written for all risk protection under the heading of an "inland marine cover." Perhaps the greatest number of such risks are written on cameras. The policy insures such cameras against "all risks" excepting wear, tear and gradual deterioration, infidelity of insured's employees or persons to whom the property is entrusted, loss occasioned by war or invasion, also any loss while the camera is on any aircraft. However, this latter hazard is included when the policy is specially endorsed and for an added premium. Many commercial photographers using cameras to obtain airviews have their equipment insured under one of these schedule property floater policies.

This "all risk" cover is not limited to the articles mentioned, but will be written on any insurable article protecting it in transit as well as at various locations, on exhibition or elsewhere. In other words the policy is designed to insure the vast amount of *floating property* such as guns, surveyor's instruments, trophies, doctor's instruments, out-board motors, street clocks, and even artificial limbs.

These flexible coverages mean extra protection for companies extending credit to individuals carrying such insurance. It is another link in the prevention of financial collapse through systematic financial management.

—C. T. Hubbard.

**CREDIT MONTHLY**



# Giant Power—Giant Purpose

**T**HE public utility giant strides over the horizon looming above the teeming cities and rural districts of the land. The giant power vested in this service giant is one of the prime forces in our modern civilization.

The magnitude of public utilities is reflected in the statistical approximation of its resources and operations. The plant and equipment investment of utilities amounts to about \$43,000,000,000; total yearly expenses are slightly less than \$8,000,000,000; income from operations is in the neighborhood of \$11,000,000,000 and the total number of people employed by the utilities is just short of 3,000,000.

This giant power touches intimately every individual, every home, every business and every section of the country. Giant power under unprincipled management would be cataclysmic. Giant power controlled by giant purpose is the force that makes life "living" instead of "existing."

There is a large question mark in the mind of every individual as he observes the gigantic combinations in the public utility field. One of the giants in this field has a capitalization aggregating \$1,800,000,000. The power concentrated in this huge utility unit must be guided by giant purpose if it is to fulfill its prime function of lifting burdens from the backs of the millions of people it serves.

There are about twenty of these great combinations in our country. Aside from the services they give what are their significance to the average citizen?

The progress and prosperity of our country is based upon the principles of *individual initiative* and *private enterprise* conducted for the good of the people. These two fundamentals are the heart beats of our national body. When they cease to function freely and develop unhindered we are in grave danger of national catastrophe. Nowhere in

## A Dedication to the Public Utilities of America



our vast business picture do we find a better example of the embodiment of these principles than in the public utility field.

There is inspiration, not alone for our business organizations, but for the individual as well, in the record the public utilities have made in meeting crises and surmounting difficult obstacles.

Take the war crisis. Wages and prices of raw materials skyrocketed like a roman candle. While other industries were able to increase their prices progressively with increasing costs, the public utilities had to make application to various commissions for higher rates. Months would pass, with costs steadily increasing, before new rates were conferred and then they were generally insufficient to meet the economic exigencies.

As a result of the war period the utilities emerged in a very critical condition. But in the ten years following the war the utilities have thrown off their burdens and forged steadily ahead to a position of security and soundness. And for 1930 they have pledged a titanic expansion program approximating \$3,000,000,000.

The ten years that have just passed might be called the Public Utility Decade. This industry, while surmounting prodigious obstacles, has lifted drudgery from the shoulders of millions of women and children, given new powers and potentialities to commerce and business and liberated personal energy for expansions into the finer channels of life.

Public utility management, through the courage, ingenuity and persistence of its leaders, has developed into an art. The record of public utility progress is a vital force in holding the gates of opportunity wide for individual initiative and private enterprise—a proof that civilization's most constructive force is giant power controlled by giant purpose.

# Cotton Production Credit

## and how it is Financed



**As told by  
Eugene McElvaney,  
Assistant to Presi-  
dent, First National  
Bank, Dallas, Texas,  
where N. A. C. M.  
Convention will be  
held in May.**



© Ewing Galloway

It is well to appreciate at the outset the limitations of any discussion of cotton financing within the narrow scope permitted by this article. It is not intended to shed any new light on the subject, but rather to present to those financial executives throughout the country who have not been privileged to have contact with this important industry, a few interesting facts surrounding the production credit as it pertains to cotton in the Lone Star State.

It should be borne in mind that Texas produces each year from 30 to 40 per cent. of the total United States cotton crop. Considering the fact that a large percentage of Texas farmers still rely principally on borrowed funds with which to produce the crop, one may well appreciate the tremendous volume of credit required for this purpose each year from various credit institutions.

Present methods of financing had their inception in the early days of the industry and have developed out of and along with the systems of tenancy. There are two principal methods of farm operation in Texas—first, by owners and second, by tenants. Speaking broadly, the farm

owner who produces cotton may be either the small landowner who with the assistance of his family and some hired labor does the work necessary for the production and harvesting of the crop, or the large landowner who operates a much larger tract with principally hired labor and often tenants. The tenant class may likewise be divided into two groups—first those having some individual financial responsibility, represented usually by teams and tools, and who provide their seed and feed. They merely rent the land from the owner, bear all the expense in connection with the making and harvesting of the crop and turn over to the landlord one-fourth of the cotton harvested. The other class is usually without financial resources and, therefore, must depend upon the landlord to furnish teams, implements, seed and feed. The tenant does the work necessary for the making and harvesting of the crop and turns over to the landlord one-half of the cotton produced.

From the above description of the systems of tenure, one can realize the hazards involved in extending credit

to the producer and the cause of the development of the various systems of financing. Funds used in financing the grower are supplied largely by the local banks and supply merchants. While in most cases, one or the other of these sources will be used, there are many instances where both are used by the grower. While the local banks are supplying an increasing proportion of the growers' needs—because of the fact that supply merchants more and more are placing their sales on a cash basis—supply merchants are, nevertheless, still relied upon to a very considerable extent, particularly in some sections of the State. They seldom have sufficient cash resources, however, to carry on their business during the crop growing season and therefore turn to the local bank or banks for funds to supply the deficiency. The banks likewise turn to their city correspondents or the Federal Reserve Bank for their own requirements.

The landowners as a class are financially responsible and can usually obtain advances direct from the bank, or are in a position to trade at

**CREDIT MONTHLY**

the supply stores on open account. They are a part of the permanent population of the community and can largely be depended upon to meet their obligations provided discretion is used in the amount of credit extended. In many instances, however, good bankers consider it the part of wisdom to secure the advances either by crop liens or chattel mortgages on livestock and implements.

The situation with respect to the tenants, however, is somewhat different. In view of the fact that they frequently shift from one section of the country to another and are often financially irresponsible, it behooves the grantor of credit to have his advances well secured. The essential problem in this connection is, of course, to see that the loan in each case is **well within the grower's ability** to liquidate, even though adverse weather conditions should cut down the yield or a decline in the price of the staple greatly reduce gross income.

Most of the losses growing out of cotton production credits may be traced to the too frequent disposition on the part of the banks or local supply houses to gauge the total credit in each case by a normal yield and an average price. The history of cotton production in the South has shown too wide a variation from year to year in average yield per acre or price per pound to make dependable these factors for judging credit. The security obtained by the banks is usually in the form of endorsement by the landowner or some other person financially responsible, or of mortgage on livestock and implements, and crop liens. Fortunately there is a growing tendency among country banks generally to require landlord's endorsement on tenant notes. Local supply stores usually require the tenants to give a crop lien or chattel mortgage on livestock and tools; or the landlord may be required to give a promissory note covering the line of credit granted.

In some instances the landlord, by the use of his own funds, a loan from the bank, or an open account with the supply store, furnishes clothing and provisions to his tenants during the crop growing season, and sometimes cash for the necessary hired labor. In such cases the tenant is required to liquidate the advances out of the cotton sold before retaining any of the funds for his own use.

The time underlying the usual cot-

ton production credit runs from six to nine months, although in poor crop years where current crop returns are insufficient to liquidate their indebtedness, tenants are frequently forced to extend their loans through another season with such small additional borrowings for living expenses as the bank may be willing to make. The bulk of the loans, however, are made beginning with the spring months, continuing through to the harvesting season. The liquidating season in the extreme southern part of the State begins in the last days of July or the first days of August. In other parts of the State it varies from the above date to October and November in the northwest portions.

When the cotton has been grown and harvested, the problem of financing its distribution *changes from one of agricultural finance to one of commercial credit*. When the cotton is once placed on the market, the actual commodity becomes the basis of the loan. The cotton may pass through several channels or agencies, but we will deal here only with the local buyer and the cotton merchant.

The local buyer may be independent or he may be a representative of the cotton merchant. For the sake of simplicity, we will deal only with the independent local cotton buyer. At the beginning of the season he arranges for a line of credit with a local bank and conditions governing the transactions stipulated. When the contract is signed and sufficient margin is placed with the bank, the cotton buyer is then ready to proceed with the buying operation. After the farmer has had his cotton ginned he obtains bids from the local buyers and naturally accepts the highest bid. The buyer signs cotton tickets for his purchases and the cotton is weighed at the local yard and the weight entered on the ticket. The farmer then presents the ticket to the buyer's bank where the amount due is usually figured and the proceeds turned over to the seller, or applied on his note. In the case of the tenant farmer, the proceeds of the sale are divided by the bank as between the farmer and the landlord.

Once the cotton is being moved freely a good cotton buyer will make daily sales to the large cotton merchant. The cotton is then shipped and a draft drawn on the cotton merchant with the order bill of lading attached and the draft is placed with

the bank for collection. When the draft is collected, the funds are used to reduce the cotton buyer's liability with the local bank. The rapid turnover enables the buyer to handle a large volume of cotton during the course of the season with a minimum amount of borrowed funds, and at the same time reduces his risk, as cotton bought during the day is disposed of before the possibility of any marked fluctuations in price.

The financing of cotton after it reaches the concentration points is generally well understood by financial executives and need not be discussed here.

Texas farmers are, happily, gradually awakening—through the influence of enlightened country bankers and the well directed educational programs of other agencies—to the importance and wisdom of crop diversification. Too long has the average Texas farmer been the victim of the "one crop" fallacy; and Texas bankers are now insisting that their farmer customers hedge against the contingency of crop failure by supplementing their cotton and other crops with a few hogs, milk cows and chickens; that they produce their own living at home; that they raise their own feed; in short that they apply to their own operations the same commonsense principles that we recognize as essential to the successful conduct of any other business. Progress in this direction has been very rapid in the past few years.



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EUGENE MCELVANEY





Etching by Luigi Kasimir

Courtesy, Kennedy &amp; Co.

NASSAU STREET, NEW YORK,  
One of the canyons of finance where  
great banking institutions are massed.  
Nassau Street is the hub of the dis-  
trict where bank clearings reach their  
greatest volume.

## Bank Clearings

By Dr. Stephen I. Miller

*This is the second in a series  
of descriptions of business  
indices.*

**B**ANK clearings at leading cities of the United States for the week ending January 16, as reported to Bradstreet's Journal, aggregated \$11,268,658,000, a loss of 12.7 per cent. from last week and of 21.7 per cent. from the same week of last year. Outside New York the total was \$4,090,658,000,

a decrease of 10.1 per cent. from last week and of 12.5 per cent. from this week a year ago. New York showed a loss of 26.1 per cent. from last year. Seven cities reported increases over last year, while forty-one exhibited declines.

Bank clearings constitute a very good index of business conditions,

chiefly because most payments in the United States are made by check. The Credit Manager who studies business conditions must appreciate the limitations as well as the advantages of this index.

*First*—Although bank clearings constitute one of the most important indices of business and credit their value as a measure of production and distribution is limited by the fact that they cover speculative activities. The increase in bank clearings outside New York City for the past seven years has been steady, while in New York City itself the increase has been spectacular. This, to a very great extent, is the result of the Exchanges located in the American metropolis.

*Second*—Bank clearings have a tendency to follow rather than keep up with the trend of business. However, they do not drag nearly so much as car loadings.

*Third*—Bank clearings show how business has been in the quite immediate past but do not constitute a good barometer for what it is likely to be in the immediate future.

*Fourth*—Any consideration of bank clearings that does not recognize seasonal changes will be untrustworthy. For this reason comparisons must be made "for the same week a year ago." Even this is not entirely satisfactory, for seasonal trade some times has a considerable variation from year to year.

*Fifth*—Bank clearings are splendid indices of the turnover of bank deposits. Total purchasing power or demand is not merely the mass of currency and credit but the speed or turnover of this mass. Demand, therefore, is not merely a quantity—it is quantity plus velocity. Bank clearings are a good measure of velocity.

### All Financial Transactions

In the course of modern development it has been found that bank clearings represent something more than mere trade and mercantile transactions. They also embrace all the numerous financial transactions of various kinds, and in all their multiple forms, many of which originate entirely outside the channels of commerce, trade and industry, though they may ultimately call all these into being.

**CREDIT MONTHLY**



**Roy F. Bergengren,**  
Executive Secretary,  
Credit Union National  
Extension Bureau, tells what

## You Should Know About Credit Unions

**C**REDIT UNION development in the United States is replete with facts significant to the credit executive. The principles inculcated in credit union organization are applicable on a broad scale to many phases of our commercial credit structure. The story of credit unions should be of absorbing interest to every credit executive.

A few days ago a man was in my office whose tale of woe might easily be the starting point for a discussion of credit unions with special emphasis on the credit side of credit union operations. This particular man works for a Boston newspaper at an average wage of sixty dollars a week. He is a steady worker—thoroughly reliable and with no unusual financial burdens to make his lot harder than average. Yet he owes a burdensome total of forty-two hundred dollars. I could not within the limitations of this article make a complete analysis of this indebtedness.

Let us consider, however, two typical items. He owes two notes, each for \$451, or a total of \$902. The cash proceeds of each of these notes was \$301, or a total of \$602. Not only did he agree to pay a \$300 bonus for this loan (the two notes were really one transaction) but he is paying interest on the notes at a very excessive rate. The Massachusetts law limits the private lender to 36 per cent. on loans of \$300 and less; hence the two loans of \$301 each—to take the transaction outside the restrictions of this particular law. The other interesting item involves the purchase of two radios, one for himself and one for a friend. The radio he chose was a more expensive make than he could afford to buy. He made a small down payment on each one, with an agreement to pay a stip-

ulated amount each week thereafter.

Another bewildered citizen of Boston who works in a barber shop at forty dollars a week and tips submitted a list of installment obligations even more staggering than the list in the case just cited. This particular financier had no lunch money in the middle of the week and wondered why until we put his case down on paper and pointed out to him that he had signed so many dotted lines for luxuries he wanted that his total obligations called for weekly payments aggregating sixty-two dollars a week.

These cases may seem exceptional but through my daily contact with the eleven hundred credit unions now operating successfully in the thirty-two states which by law authorized credit union organization, I have become acquainted with so many frightful examples of financial maladjustment and usury that I do not have to imagine cases. My own experience supplies me with so many true stories that I have long since learned that truth is indeed far stranger than fiction.

### Organizing Unions

As has been noted, thirty-two states now authorize credit union organization, the first law having been enacted in Massachusetts in 1909. Back of the Massachusetts enactment were many years of successful credit union operation in the Province of Quebec, and back of that three-quarters of a century of credit union development in various parts of Europe. There is nothing new, startling or experimental about the credit union which had proved its usefulness long before Edison first re-

corded the human voice on wax.

A credit union is a co-operative society, organized in accordance with a state law and operating under state supervision (generally of the State Department of Banking), self-administered, limited in its operations to a specific group of people, and supplying them with the best, easiest and most convenient system for saving money—a system which develops within the member the habit of saving, making it possible thereby for the members to take care of their own short-term credit problems at legitimate rates of interest.

The following illustrations selected from thousands of examples show how the system works in practice.

The first illustration has to do with the 205 credit unions which I have either directly or indirectly organized in co-operation with the Director of Service Relations of the Office of the Postmaster General. Each one of these credit unions is limited to the postal employees within a given post office. The smallest is at Paducah, Kentucky. It has less than fifty members, a 100 per cent. membership of all employees in that Post Office. The largest now serves the Boston Post Office employees with assets of approximately a half million dollars. This group started in 1924 with a handful of members and assets of less than twenty dollars. These credit unions operate under 32 dif-



ferent state" credit union laws and spread from Manchester, New Hampshire to Oakland, California, and back again by way of Fort Worth, Texas, to New Orleans—with detours to Seattle, Portland, Oregon, and three excellent credit unions of postal employees at Springfield, Illinois; Springfield, Massachusetts, and Springfield, Missouri.

At the Franklin Day Celebration of the Massachusetts Credit Union League held in Boston on January 17 of the current year, Mr. Boehm, Director of Service Relations for the Post Office Department, stated that there are now over 35,000 postal employees in the credit unions, with over two million dollars in savings, with a small loans record to date of over 70,000 loans aggregating more than ten million dollars. I organized the first Post Office credit union at the Brockton, Massachusetts, Post Office just seven years ago this month which began with eight members and assets of \$18.50.

In the process of organizing these credit unions I have found usury, small loans problems and money difficulties in almost every Post Office. Credit Unions have solved these problems wherever a credit union has been organized.

The next illustration is prefaced with another true story. It involves Bill. He was a fireman, working on a freight engine of a large mid-west railway system. Bill was a fine worker, a fast spender and had no

money-sense. His wages were stopped several times by civil process instituted by impatient creditors. Finally Bill was notified that if he got into any more trouble with the law, he would lose his job. He procured a check book from a bank and went about, distributing worthless checks to all his creditors. This done he dusted off his hands and climbed on his engine. When he got back from the run he found the sheriff waiting for him, because he had neglected to leave any money in the bank! The sheriff was a small town official who knew the young man so he agreed to hold the writ for a day on the assurance that "I've got the thing all fixed up by a loan from my father and I'll go right around and substitute cash for all those phoney checks."

Now the scene shifts to the freight yard early that evening when two horrified spectators saw Bill twist a wire around his leg (to make an effective tourniquet, a thoughtful provision against the possibility of bleeding to death), and put his leg under a moving freight car, after unfastening the handle by which a member of a freight train crew swings himself aboard. His thought was that he could claim compensation from the railroad on the ground that the grip bar was defective and, with this easy money, he would pay his bills. Bill could think of no other way to get himself out of his predicament.

Twenty-nine credit unions of employees of the Rock Island Railroad have been formed, part of a system of forty credit unions which will eventually bring credit union service to the forty odd thousand employees of that particular railroad system. Back of this development is a story

of wage attachments and other legal entanglements of employees, similar to Bill's story, which constituted the primary personnel problem of that great railroad.

A recent Service Letter on Industrial Relations (New Series No. 31) is the next bit of supporting evidence. It describes eight credit unions which serve employees of the New England Telephone and Telegraph Company. The first credit union of this group was organized in 1917 with less than twenty members and much less than twenty dollars. Its consolidated balance sheet as of January 1st, 1929, showed total assets of \$1,510,702. Its membership includes more than 70 per cent. of all the employees of the Company. It has made loans aggregating nine million dollars since its organization. The report, after stating some of the innumerable benefits which have resulted to employees of this Company, concludes as follows: "Last but not least, the Company has profited in the improvement of morale that results from relieving employees from financial worries, which is the primary purpose of all the related thrift activities sponsored by the companies of the Bell System."

### How They Operate

How rapidly a credit union may develop is illustrated by the Norton Credit Union which serves employees of the Norton Company at Worcester. Organized in 1925 it now has 1049 members and savings of \$123,670. A fine little credit union with assets of \$4,000 which reported recently a small loans business in twelve months of \$16,000 illustrates the velocity of credit union money.

Thrift is a word describing a habit and, like many other words in the

language, modifies its meaning and develops in definition as times change and civilization progresses. Thrift is a relative word, an expanding and contracting word which is capable of



*Credit Union Banking Day  
(Above) At the St. Paul  
(Minnesota) plant of  
Montgomery Ward &  
Company.*

*(Right) Credit Union Directors  
of Rock Island  
Railroad.*



adapting itself to changing circumstances. It does not connote the collection of coins in a box, with the collector sitting on top of the box guarding the collection. Thrift, so interpreted, would have no modern value. A better definition of the word might be that thrift is that virtue which enables the individual to accumulate money because of its value, not only as a means of exchange for services and things essential in the successful pursuit of happiness, but also for protection against the eventualities of life which may interfere with the attainment of happiness.

To become a member of a credit union, an individual must first be a member of the group within which it is organized—an employe of a factory, mill, store, a member of a fraternal order, church parish, Legion Post, etc., as the case may be. He must then agree to buy at least one share having a par value of five dollars, payable in cash or at the rate of twenty-five cents each pay day. If a prospective member can save fifty cents a pay day he subscribes for two shares and pays in twenty-five cents on each share, etc. By the time the first share or shares are paid for, the member has acquired the habit of saving which generally progresses accordingly into the future.

The money is invested in loans to the members (at rates of interest fixed in each case by the Board of Directors but which may not exceed 1 per cent. a month on balances), for provident purposes, with all earnings reverting to the members as dividends on their savings except 20 per cent. of the net earnings, set aside by the individual credit union each year as its indivisible guaranty fund.

There are many safeguarding provisions in typical credit union laws and by-laws, and credit unions have an unexcelled reputation for honest and efficient management. The value of the credit union to the plant executive is to be found in the fact that it relieves him of a difficult personnel problem and, by solving the financial problems of his employes, makes very definitely and specifically for improvement in plant morale. The advantage of the credit union from the viewpoint of any credit executive or credit manager is that it is



**T**HE Credit Union National Extension Bureau is financed by Edward A. Filene, the father of the credit union movement in America. Mr. Filene first came in contact with credit unions in Germany in 1908. He was so deeply impressed with the significant aid rendered in the solution of personal credit problems that he brought the idea back to the United States, determined to give the plan a trial in this country.

Mr. Filene co-operated in 1909 with the Massachusetts Bank Commissioner, Pierre Jay, in drafting a law that was enacted by the Massachusetts legislature making co-operative credit societies possible in that state. Convinced of the practical value of the plan as shown by its trial in Massachusetts, Mr. Filene nine years ago, organized the Credit Union National Extension Bureau for the creation of credit unions throughout the country.

The Bureau is so organized that it is in a position to contact immediately with anyone interested in any phase of credit organization and development. Your communication addressed to the Editor of CREDIT MONTHLY will be turned over to the proper official for action.

a rationalizing process. The installment system has brought much happiness to the American people, distributing those sources of a broader life which prior to the advent of installment selling were available only to the individual of exceptional resources. The credit union helps its members to understand, however, how to make the installment system an asset and not a liability—how to bring into financial balance the business of living so that one may live as a free man in a free country

should live—reasonably within his resources, assuming only those obligations which he may faithfully keep without throwing his whole life completely out of balance. I have organized many credit unions within large and small industrial units—in department stores, factories, mills, public service corporations, on railroads, and within groups of municipal and state employes, in post offices and I have yet to have an employe or an employer report dissatisfaction with the credit union.





**Felix M. Warburg, Chairman of the Board of Directors of the American Arbitration Association explains how**

## Arbitration Stabilizes Credit

*Felix M. Warburg, Chairman of the Board of Directors of the American Arbitration Association, is an outstanding figure in philanthropic and financial circles.*

*Mr. Warburg is a member of the banking firm of Kuhn, Loeb & Company and is a Director of the Bond & Mortgage Guarantee Co., International Acceptance Bank, International Acceptance Trust Company, Staten Island Rapid Transit Railway Company and other corporations.*

*He is also a Trustee of the New York Foundation and a director of the Henry Street Settlement, American Museum of Natural History, American Foundation for the Blind and is prominently connected with many other business, cultural and social organizations.*

**H**AS arbitration a place in the maintenance of credit?

This is a question many bankers have been asking for some time; and now business men are beginning to look at their ledgers and wonder whether business controversies are not laying too heavy a burden upon industry and are not increasing risks to business beyond its ability to carry this extra load. It is hoped that the efforts of organized credit men will help business to solve this problem.

Credit is becoming an increasingly sensitive and valuable possession to

the business man. Something more than ability to pay, and large cash balances make up the confidence which one business man has in another. It stands not only to reason but to credit rating that if a man constantly has differences and friction in his business relations he eventually cuts down his earning power; and if his affairs figure prominently in the press, through court actions, confidence in his judgment and leadership is bound to be affected. And if the quality of his merchandise is publicly called into question, cancellation of orders and failure to obtain new orders will follow.

The public is too busy to look into the merits of the case that is tried in public; it only knows that Jones is in trouble and it begins to do business with Brown, who is not.

### *Litigation Hurts Credit*

It seems to me when a business concern carries unsettled business controversies and avoidable litigation from year to year that it increases the risks to that business, worries its stockholders and undermines public confidence, and these, in time, weaken the structure of the business itself. Sometimes these disputes simply drag along on the theory that time will solve them; or they become acrimonious and each party begins to drag in his friends to take sides by urging them to change their own business attitude; or a compromise is effected whereunder no justice is done, but both parties lose something and continue to hold a grudge, against one another. And worst of all, the merchandise loses its value and the profits disappear while the dispute over

them goes on, to flare out some day in the heavy expenses of a litigation.

Fortunately it is no longer necessary for a business man to run these risks, for arbitration provides a simple, effective and expedient remedy, not only in the actual settlement of the dispute, but in preserving the credit of the parties.

For example, two corporations decide upon a merger. There are many adjustments to be made in positions of leadership, in the apportionment of stock and in other financial arrangements. Even with the utmost care not all of the causes of difference can be foreseen. But an arbitration clause does foresee these difficulties, for under the modern arbitration laws these questions must be decided privately, immediately and justly and there is no disturbance of public confidence in the new concern. One of the services performed by the American Arbitration Association is facilitating arbitration for such mergers or in partnership disputes.

Take one other situation. A patented process is attacked as defective and damages are demanded. In the meantime the questions concern the amount of the damage sustained, but the alleged defect has been corrected. But if the case comes to public notice, the users of that product become alarmed and cancel orders or cease to use it. They will not take the time to inquire whether the defect is corrected; they see only the story of the dispute. Inevitably sales fall off, stocks go down and credit is affected. The American Arbitration Association could give illustra-

*(Continued on page 30)*



# The Wolf Pack

By Dr. Stephen I. Miller

*Now this is the Law of the Jungle—as old and as true as the sky;  
And the Wolf that shall keep it may prosper, but the Wolf that shall break it must die.  
As the creeper that girdles the tree-trunk the Law runneth forward and back—  
For the strength of the Pack is the Wolf, and the strength of the Wolf is the Pack.*

From "The Law of the Jungle" by Rudyard Kipling

**F**EW people have heard the dismal howl of the wolf pack; yet there are many cattle and sheep men of the West and North who have paid tribute to these predatory bands that raid their herds and flocks. The old time sheep herder has heard the short snarling bark of the wolves on the distant timber line; he has seen his sheep instinctively mass to await the attack; he has heard his dogs growl defiantly at the approaching pack and he has grasped his rifle to meet the skulking, bloodthirsty forms that have circled the camp. He well knows that "the strength of the Pack is the Wolf and the strength of the Wolf is the Pack."

Modern business is a highly organized structure. Industrial progress has been marked by greater and greater interdependence. Production begins at one point and a finished product is used a thousand miles away. The commodity may pass through a score of transitions, dependent upon the skill of men, the accuracy of machines, the speed of transportation, the organization of markets, and the desire of buyers. Let one step in the sequence be retarded and a loss occurs; let one step be removed and the commodity passes to the scrap heap. For the same principle is true in business—"the strength of the Wolf is the Pack."

The Credit Man sits at his desk critically analyzing a financial statement, a rating and an interchange report. Net profits in the business depend upon painstaking judgment. Yet the information that must serve as the basis for decisions is the result of careful inventories, of accounts payable and receivable, of fixed assets, of character and of capacity. Bankers, accountants, lawyers, bookkeepers and clerks have brought together this information. Business revelation is as much a part of the modern economic structure as mechanics. No one business stands alone; no one Credit Man can ignore standards, contacts and co-operation. Once more we revert to the law of all time—"the strength of the Wolf is the Pack."

Pull the fire from the fire box and the wheels of the mill come to a standstill. Remove one man vital to an organization and the company may pass its dividend. Throw a handful of dirt into a delicate mechanism and you may destroy the work of a genius. Affiliate one disloyal, petulant, unco-operative, egotistic man or woman with an organization and the poison filters through the entire system. The power of the leader still stands supreme. Individualism has not been destroyed; it has not even been minimized. It is increasingly true that "the strength of the Pack is the Wolf."





**W. H. Gilday, Hamilton-Brown Shoe Co.,  
Boston, Tells How the Retailer May**

## Get Back to Discount

**T**HE problem which faces many able merchants today is that of getting their business on a paying basis. They are wondering just why they are unable to show a reasonable net profit. Realizing that they work as hard as ever and curtail costs as much as possible, yet, with no apparent loss in volume, they find themselves unable to discount. They are making a living, it is true, but naturally are not satisfied. Granted ordinary competitive conditions, what is the cause of this situation?

Recently the National Shoe Retailers' Association made an analysis of this problem. Some of the best shoe merchants in the country came forward with facts and figures and showed very logically that the causes were many, some peculiar to the shoe business and others applicable to the successful conduct of any business. They approached it from the account-

ant's point of view, however, beginning with the volume of net sales and considering the operation of the business on a percentage basis. Of course, the inevitable question—turnover—was discussed at length. All of these items are important and contribute to this question of inability to discount.

I believe, however, that the problem can be reduced to simplest terms and that there is one primary cause-and-effect reason, namely, *a merchant's buying methods.*

First, let us consider the trend of business set in motion by HAPHAZARD BUYING. We start with present day rapid style changes, admitting that virtually all lines of business have transgressed the margin of safety in style creation. Combine this with intensive selling and we get a condition where the merchant is continually drummed by clever salesmen. The merchant's reaction is natural as he wants to be up to the minute. Consequently, he scatters his buying. This to my mind is the first mistake, the first step in the wrong direction. Then he starts shopping around and is further along the wrong road. In a short time the stock becomes mixed and he finds himself dealing with twenty or more different houses and with as many lines. As a matter of fact he really hasn't that number of lines because he is buying only in part from each house. The inevitable result is duplication of style.

A mixed stock is bound to show a slow turnover. This result is clear. In the shoe business, we have all seen merchants with "a store full of shoes and nothing to sell." It doesn't take

long for a stock of merchandise to get into that condition. Particularly is this true where a shoe merchant is short of sizes and can not fill in because of discontinued lines.

The next effect is the slowing up of payments, a natural corollary of slow turnover of stock. Receipts must be divided among a large number of creditors, varying terms can not always be kept in mind or met and the merchant's debts, like his purchases, are scattered. Such a condition is a source of worry and is unsound.

Pressing debts mean lost discounts because a merchant who is slow with some is generally slow with everybody. This is true, also, because he is paying at random from his daily receipts, having no surplus and consequently no definite plan of payment.

There is but one result, therefore, for haphazard buying and that is red ink figures at the end of the fiscal year.

Secondly, let us consider the merchant who understands CONCENTRATION. The merchant who really wants to get back to discount must look to his buying methods. He must first have a definite program of buying, selecting a list of houses that

(Continued on page 29)

### This . . . .

#### Haphazard Buying

Shopping around  
Mixed stock, duplication of style  
Slow turnover  
Slow payments, too many creditors  
Discounts lost, profits tied up in odds and ends  
Red Ink at end of year

### or This ?

#### Concentration of Buying

Definite buying program  
No duplicating of styles, uniform stock  
Adequate turnover  
Simplified bookkeeping, fewer creditors  
Discounts saved  
Net profit at end of year

*Which  
is the better  
plan for the retailer?*

# Self-Expression for Credit Men

**T**O the man who can express his thoughts in words that influence others, society gives great rewards. The ability to say what we think is of value not alone because it enables us to communicate our conclusions and convictions to others, but also because it helps us to clarify our own ideas. Self-expression illuminates a man's personality and brings his abilities into bold relief just as the glow from modern lights illuminates and brings into relief the towers and walls of some old city that has long been shrouded in the obscurity of darkness.

In our profession, as in most others, there are those who reach the heights measured either by large salaries or the general opinion of our fellow men. Others just plod along doing their daily tasks and obtaining average results. There are various beliefs as to why some fare better than others, and often the word "influence" is heard when such questions are discussed. Opportunity is not a matter of luck or "influence", but the result of improvement.

Has it ever occurred to you that some of us are better skilled in selling our abilities? Those who receive the highest salaries usually owe their success primarily to their skill in dealing with people, and only secondarily to their knowledge, or to their intellectual capacity to deal with abstract concepts.

After a young credit manager has mastered the technique of our profession there are a number of special courses which he can take with good results. One of these is a course in public speaking; such a course is not alone inexpensive, it is pleasant, does not require an unusual amount of one's time, and richly rewards one's efforts. Many men who have been timid and far too self-conscious to speak on their feet, are so full of enthusiasm and pep, after a course of not more than ten or fifteen weeks, that it is next to impossible to keep them off their feet.

To the credit manager especially, self-expression is of inestimable value. When he meets customers either in his office or their own, his entire conversation must be tactful yet dis-

**As told by one of the country's leading credit executives who attributes most of his professional achievement to his ability to speak acceptably in a perpendicular position.**

play absolute confidence. Otherwise he is hopelessly lost. What does a credit manager speak of when he has the occasion to see a customer? Either he must ask for money or he desires certain specific information, or a financial statement. Can you imagine a harder or more disagreeable task if the credit manager lacks self-expression? Even his letters require the utmost tact and must be written with consideration for the other man's viewpoint.

Most salesmen portray the credit manager as a "hard boiled egg," but they seldom realize that an egg becomes hard boiled from being contin-

ually in hot water. A credit manager who can express his thoughts clearly can with safety face an aggregation of salesmen no matter how large, can justify the work of the credit department and accomplish the remarkable result of developing much improved salesmen. There is nothing any man appreciates so much as being led to believe he is a good business man. Even the biggest go-getter salesman craves to be some day a good business man. If you attack the problem from that angle you can do much to improve the feeling toward your Credit Department and also achieve better credit results, but you must be able to stand on your feet before your salesmen in convention or elsewhere, address them and answer their questions.

A credit manager who has mastered the art of self-expression, not only does good credit work, but also sells his "House" to the new customer and not infrequently to the old customer. Most of us do not consider ourselves salesmen, but we are. We can at least sell the service which our "House" can render and usually we can also convince our customer that it is just and proper to have terms of sale which are the same for all customers, and that it is only fair to those who pay their bills promptly that those who do not be held to account.

Your Editor has asked me to give a specific incident where public speaking has been of aid to the writer. On several occasions it was suggested that we move our Western Credit Department to New York and consolidate it with our New York Department. The writer was convinced that, while this might result in a saving of the salary of a few clerks, due to the nature of our business, such a move would surely result in the loss of business to the Sales Department and also would have occasioned some large credit losses. Therefore, the writer made vigorous objections in writing to the proposed plan, with the result that each time it was abandoned.

A few months ago, however, some efficiency men visited our  
(Continued on page 30)



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*Self-expression illuminates a man's personality and brings his abilities into bold relief just as the glow from modern lights illuminates and brings into relief the towers and walls of some old city long shrouded in the obscurity of darkness.*



# A Simplified Credit System

SALESMAN <i>W. E. Wilson</i>		BANK <i>First National</i>	
DUN <i>J 3</i>	LYON	NAME <i>John Doe &amp; Bros</i>	
BRAD. <i>V. D.</i>	CREDIT	ADDRESS <i>Blind Center Ill</i>	

SPECIAL INFORMATION	COLLECTION NOTES	DATE	MOSE.	CASH	JOUR.	DEBIT	CREDIT	DEBIT BALANCE	CREDIT BALANCE
<i>Quot 2/1/29</i>		<i>1/29</i>							
<i>Statement signed</i>		<i>Mar 2</i>	<i>326</i>	<i>60 7/30</i>		<i>157.50</i>			
<i>as of 1/1/29</i>		<i>May 1</i>		<i>181</i>			<i>144.00</i>		
<i>Chk 400</i>		<i>June 4</i>	<i>850</i>	<i>60 7/30</i>		<i>40.00</i>			
<i>Chk 3500</i>		<i>July 3</i>		<i>264</i>			<i>3420</i>		
<i>Chk 2200</i>				<i>dis</i>			<i>80</i>		
<i>6100</i>									
<i>Lab</i>									
<i>Chk 1150</i>									
<i>Chk 500</i>									
<i>1650</i>									
<i>Receipt 4450</i>									
<i>6100</i>									
<i>Call well</i>									
<i>guarded, as</i>									
<i>to character</i>									
<i>habits</i>									
<i>average ability</i>									
<i>perfect good</i>									
<i>for moderate success</i>									

This Ledger Card (actual size 5 x 8 inches) combines credit and bookkeeping records.

THE element of time, vitally important in all credit departments is especially important in the small business where the Credit Manager is frequently also the accountant, or has other duties which limit the time which he can devote to credits. Simplification of records with full regard for completeness offers a solution to the problem.

The following system was set up and successfully operated by the American Bed Co. of St. Louis of which until recently the writer was secretary-treasurer. This system is operated with the simplest kind of equipment. The LEDGER CARD shown above serves two purposes: that of credit information card and ledger sheet. The records of the credit department and the bookkeeping department are thus consolidated in one file of ledger cards.

After the Credit Manager has approved an order from a new customer, he fills out a ledger card giving the name and address of the customer. Under the column to the left headed "Special Information," is entered a summary of the Mercantile Agency Report stressing important

ARTICLES describing the credit department systems of well managed companies with many branch offices and many thousands of orders make interesting reading for forward looking credit executives.

It may be, however, that the following description of the credit department mechanism of a company with no branch offices, which handles less than 150 orders each business day, will be of interest to the many executives whose problems are of similar size.

facts and a recapitulation of the Interchange Bureau Report.

The column headed "Collection Notes" is used for collection data or additional reports. The date of mailing of a statement on a matured account is invariably entered in this column, to indicate that the account is being handled by the collection department.

The card is ruled off like the conventional ledger sheet and may be arranged to meet the requirements of any individual credit department. After the credit department has entered credit data on the card, it is turned over to the bookkeeper who

posts the usual accounting items on it.

When an order is shipped, an invoice and three duplicate copies are made, each copy of a distinctive color. The original invoice is mailed to the customer, one copy routed to the bookkeeping department, another to the credit department, and the last, which is usually a tissue, mailed to the salesman who secured the order. The copy received by the credit department is filed in a chronological file under the maturity date of the invoice. If the account is not paid at maturity, the invoice is placed in the collection file and the account handled from then on in the customary manner.

When a re-order is received, the ledger card is sent back to the credit department, and the credit data is brought up to date.

The use of this system eliminates the necessity of keeping separate credit and bookkeeping records. The use of cards is recommended for durability and ease of handling, but if a loose-leaf ledger is in use, the same principle can be readily used in loose-leaf form.

ALBERT E. FISHER.

CREDIT MONTHLY

# Driving Ahead in 1930



H. E. CHASMAR

**T**HE Second Credit Protection Campaign of the N. A. C. M., originally scheduled to last only one year, is to be continued through 1930 in the Eastern and Central States. This decision was reached at a meeting of the National Executive Committee of the Fund, held in New York on January 17.

Reports presented at the meeting made it clear that not more than half of the local associations east of the Rocky Mountains have as yet held campaigns, and that a majority of those remaining desired the aid of field men, representing the national association, in conducting campaigns this year. Accordingly the committee approved a plan whereby the campaign is to be continued nationally, under the direction of H. E. Chasmar and A. E. Fisher.

W. H. Pouch, chairman of the committee, reported that approximately \$900,000 has been raised so far, and that campaigns now under way in the south are expected to bring the fund over the \$1,000,000 mark. This amount, it was pointed out, has been raised almost entirely in the so-called key-cities. In each of the campaign districts there are several smaller cities which have not yet conducted campaigns, and which, in some instances, may be expected to accomplish almost as much as the key-cities.

Fisher and Chasmar, who are to take over the direction of the cam-

## on the Credit Protection Fund

paign, are both widely known among the association membership. Fisher, who has been for a number of years treasurer and credit manager of the American Bed Company of St. Louis, has long been active in association affairs, both locally and nationally. Chasmar is particularly well known in the Eastern division, where he has been for several years assistant divisional manager.

The type of campaign to be followed this year may be illustrated by Chasmar's first venture into the field. His initial assignment was to the Atlanta district, which includes several important centers. By arrangement with the Credit Association of Northern Florida he met with its board of directors, formed a committee to assist in the drive, and is proceeding with a brisk campaign in the Jacksonville area, scheduled to last only ten days. A similar plan is to be followed in Tampa, Miami and Macon, after which he is to return to Atlanta and assist the Atlanta Association of Credit Men in a short clean-up campaign.

It is expected that this procedure will be followed in all of the campaign districts where work remains to be done. In most of the districts there are from three to a half dozen smaller cities having associations in which no campaign activities have yet been carried on. Through careful advance organization, and with the co-operation of the field men, it is planned to extend the campaign to these cities, holding short local drives lasting only a few days and making full use of the local organizations.

No detailed schedule of local campaigns has yet been worked out. It is probable, however, that Fisher will assist in a series of campaigns



ALBERT E. FISHER

in Indiana, Illinois and possibly Ohio, while Chasmar will be occupied in the south for several weeks more, coming north later in the spring to participate in other campaigns in the eastern division.

An encouraging feature of the meeting of the National Executive Committee was the confidence expressed by several members that considerable additional amounts may still be expected from cities which started their campaign during the fall.

"Chicago is only well started on the campaign now," said S. J. Whitlock. "We are just warming up. The Chicago Association of Credit Men is behind this movement heart and soul, and subscriptions will continue to come in from Chicago for months. The only reason that our subscriptions have come in slowly is that only a comparatively small committee has been actively at work."

P. M. Millions was likewise confident about the situation, not only in Atlanta, but in the entire southeastern district.

"Atlanta had hardly launched her December campaign when the Christmas holidays came along. The city itself is less than half finished with its campaign, and the other cities in the southeastern territory have not yet been touched. When the secondary cities have conducted their campaigns and when Atlanta has finished her own clean-up, we ought not to be far from the district quota."



# A Survey of Credit Conditions

**W. S. Swingle, Director of the Foreign Department and the Foreign Credit Interchange Bureau of the National Association of Credit Men, in this article gives a statistical interpretation of Latin-American credit conditions and collections.**

**T**HE importance of Latin America as a market for export trade from the United States forces the credit executive to follow closely the changing situation in regard to credit conditions and collections in this territory.

In order that some definite record and basis for comparison might be worked out for those either doing business or contemplating doing business with this territory, and at the same time affording a guide for comparison between different important markets, as well as the changes which take place within any one country, the Foreign Department of the National Association of Credit Men instituted in the

latter part of 1928 a series of Quarterly Surveys of Credit and Collection Conditions. These surveys are based on the experiences and opinions of the members of the Foreign Credit Interchange Bureau of the National Association, which consists of several hundred important manufacturers exporting throughout the world.

The surveys are divided into two parts. First, the opinion of the exporter as to credit conditions in the specific country considered, based on reports from agents or representatives, as well as individual experience in carrying on business in this market. Second, the report of actual collections received, without taking into consideration the causes of prompt or slow payment. This latter survey has no bearing on the credit terms extended, but refers only to the payment of accounts at due date. The various classifications do not

necessarily indicate the exact economic conditions in any particular country, excepting as this may be reflected through the credit conditions and the paying experience with existing accounts.

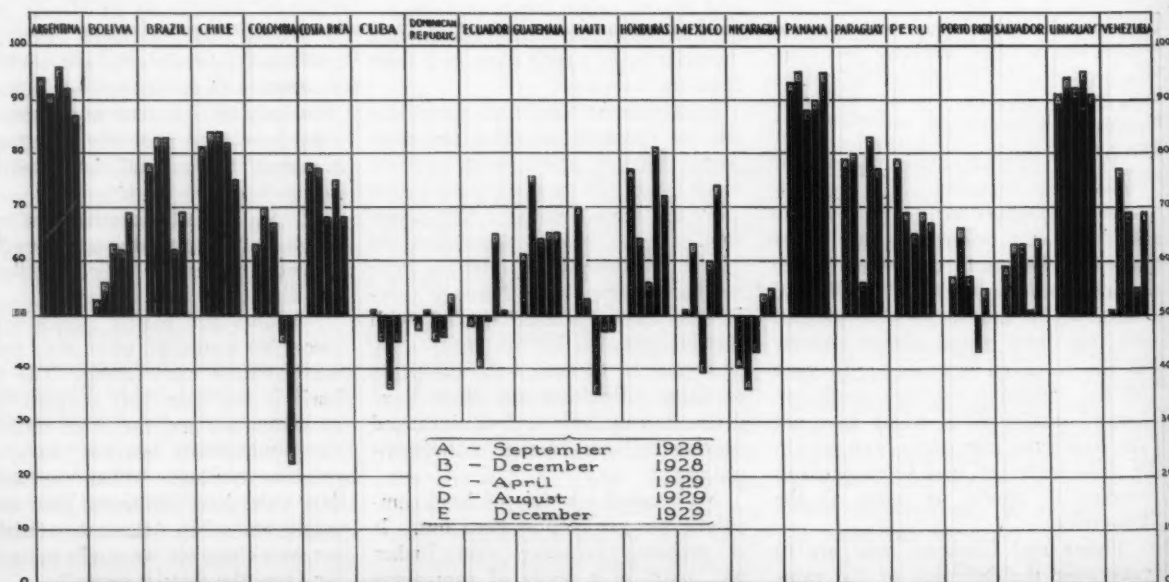
It should be borne in mind that seasonal and crop conditions affect the situation in practically all of the countries considered, as for example coffee in Colombia and Brazil, sugar in Cuba and Porto Rico, etc., but it will be seen that despite this, in most cases the credit conditions and paying record indicate a general average for each country placing it in a definite classification and reflecting the conditions which exist.

Political disturbances and changes also have their effect on credit, and particularly on collections, as these may bring about an unsettled condition in the country. The attitude of local banks in the granting of loans, and the placing of foreign loans also have their direct bearing on the credit situation of the purchasers of goods in any market.

## What the Surveys Show

A few sharp changes have occurred, as for example, in Colombia, Brazil, Porto Rico and Mexico. On the other hand, a general tendency

*This chart shows graphically collection conditions in twenty-one Latin-American countries at five different periods. The scale numbers are based on the percentage of reports of prompt collections for each country during each survey.*





# Conditions and Collections in Latin America

for more favorable or less favorable conditions both as to credit conditions and collections is indicated, as for example, Argentina, Costa Rica, Cuba, Chile, Dominican Republic, Haiti and Nicaragua.

The latest of these surveys was completed in December, 1929, and since that time there have been some notable changes in the situation in various countries, due to exchange or crop conditions, as for example, Argentina, Peru and Costa Rica. These will probably carry further the tendency shown in previous surveys.

1929, August, 1929 and December, 1929. Twenty-one countries have been covered at each period, with the exception of the first survey in which Cuba was not included.

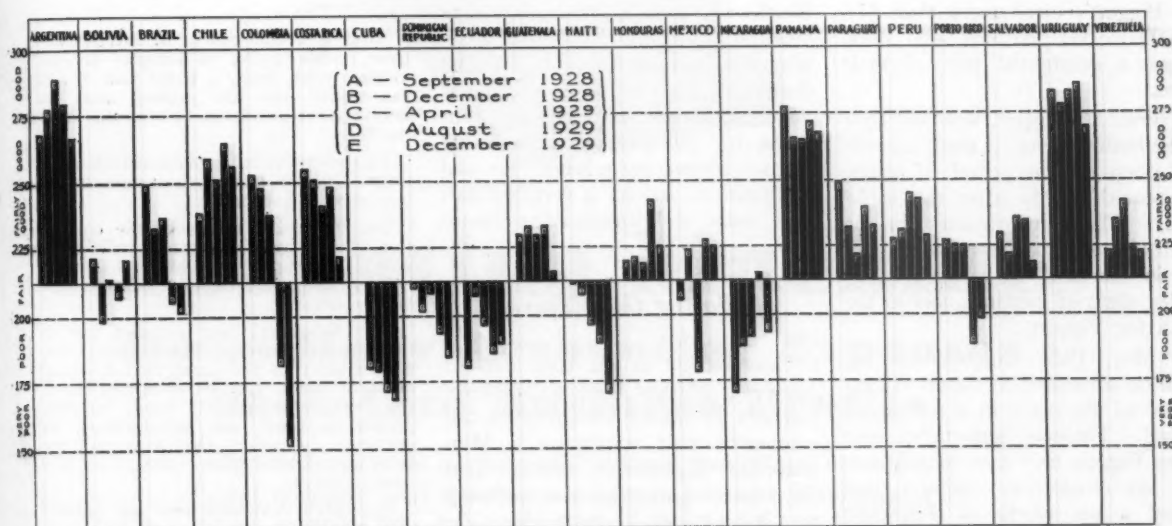
The survey of Credit Conditions is based on the reports of "good", "fair", "poor", worked into percentage figures of all of those reporting, and from these percentages into an index figure as used in the accompanying chart. The classifications are of necessity more or less arbitrary, but are based on the following:

The index of 250 or better covers

graphical purposes to give an easier basis for comparison.

The chart for Collection Conditions is based on reports of either "prompt" or "slow" collections, worked into a percentage of all of those reporting. The graphical index indicates the percentage of those reporting prompt collections for each

*The chart below gives credit conditions in twenty-one Latin-American countries, based on data compiled in five surveys described in this article. This chart is scaled on the basis of the credit condition index figures which express mathematically the combined opinions of individual reports on each country.*



While credit conditions in but few countries can be classified as "good", it will be noted that the collections in the majority of cases are considerably better than the average, which confirms the experience of practical exporters that satisfactory business can be maintained with well-known and carefully selected buyers, even though general conditions may not be of the best. Further, the paying habits of the responsible merchant in Latin America rank as well as or better than the same class in domestic trade.

Five surveys have been compiled, starting in September, 1928, followed by December, 1928, April,

a percentage of not less than 50% good—50% fair, and is classified as "good".

The index of from 250 to 225 is classified as "fairly good", with the lowest possible percentage of 25% good—75% fair.

The index figure of from 225 to 200, with a lowest possible percentage of 100% fair, is classified as "fair".

The index of from 200 to 175 is classified as "poor", with a low percentage of 75% fair—25% poor.

Below this index, the classification is "very poor".

The mean of the "fair position" has been taken as the base for

country at the time of the survey. The mean of 50% has been arbitrarily chosen as the base for graphical work.

## Guide Credit Extension

These surveys have proved not only to be a record of conditions, but by comparative analysis changes are indicated which serve as a guide for the extension of credit on proper follow-up and expectation on collections. Each survey has been available as soon as compiled to the members of the Foreign Credit Interchange Bureau through its Weekly Confidential Bulletin.

## Two Big Fraud Cases

**T**WO fraud cases recently concluded by the Credit Protection Department of the National Association of Credit Men are of unusual interest because of the large amounts involved. Liabilities in the two cases totaled approximately \$2,000,000. All those involved in these frauds pleaded guilty or were convicted.

Firms which had been selling to Piggott's, Inc., at Bay City, Mich., for a number of years were astonished to learn, about a year ago, that this old and hitherto prosperous concern was unable to meet its bills. Temporary state receivership proceedings were instituted, and as the extent of the failure began to be uncovered, this action was followed by an involuntary petition in bankruptcy. The truth was finally brought out that Piggott's owed more than \$1,000,000 to 634 creditors who stood to lose a substantial part of their claims.

Warren M. Piggott, who had built up the business from a small second-hand shop over a period of years, disappeared shortly after the bankruptcy. Three investigators for the Credit Protection Department took part in the task of unraveling the tangled skein of evidence, and in the search for Piggott.

In May, 1929, Piggott was indicted on a number of counts charging use of the mails in a scheme to defraud. Financial statements sent out by Piggott only nine months before the disastrous failure had claimed a net worth of \$929,000. Accountants found this statement grossly exaggerated.

### Ten Years in Jail

The investigators learned that Piggott had gone to Canada under an assumed name. He was finally located at Sarnia, Ontario, and was subsequently arrested at Port Huron, Mich., when he crossed the border to meet a friend. Piggott was tried in the federal court at Bay City, on Sept. 27, 1929, and was found guilty on thirteen separate counts of the indictment charging mail fraud. Judge Tuttle imposed a sentence of five years on the first nine counts of the indictment, and five years more on the remaining four counts. The court

specified that the sentences were to run consecutively, so that the total sentence was ten years.

A fraud case of similarly large proportions likewise resulted in a verdict of guilty after a seventeen-day trial at Minneapolis. Nicholas M. Constans, former head of the Consumers Wholesale Supply Co., was found guilty on four counts of an indictment charging mail fraud. He is to be sentenced later, with three other defendants in the same case, who had previously entered pleas of guilty.

Constans promoted the Consumers Wholesale Supply Co. through a sale of stock to the public. At the peak of the business, the company operated a chain of ninety-six groceries and meat markets throughout the Northwest, though it was a losing venture from the start. In 1929, when the company was in financial distress, Constans started negotiations with a Chicago investment house for the purpose of enlisting aid in a refinancing scheme. He was requested to submit a certified balance sheet and merchandise inventory.

### Inflating the Figures

One witness at the trial told of supplying whiskey freely to the force engaged in taking inventory at the company's main warehouse in Minneapolis. He further testified that for a part of the time the inventory was being taken, he wrote down the count on the merchandise, and constantly inflated the figures. The same witness testified that he had in his desk invoices amounting to between \$130,000 and \$140,000, which, at the direction of Constans, were withheld so as not to show up in the liabilities.

Other witnesses told how the inventories taken in the ninety-six stores were systematically inflated to make a better showing. Letters sent out by the auditors to the retail units, seeking to verify items in the books of the company, were, according to evidence at the trial, withheld from the mail, and replies tending to bear out the books mailed from the towns to which the inquiries had been directed.

As a result of such manipulations, a satisfactory statement was compiled, and Constans was able to keep the company afloat for some time longer, and to obtain further credit. At the time of the bankruptcy, some 400 merchandise creditors filed claims totaling approximately \$1,000,000.

The defendants awaiting sentence with Constans are Harry W. Reed, former secretary of the company; Joe Scharf, former buyer, and Fred E. Anderson, former auditor.

### A Model Debtor

**A** LETTER from a customer who voluntarily pays interest on a past-due account appears in the Paint, Oil and Chemical Review, Chicago, of which O. McG. Howard is editor. The letter, addressed to a Milwaukee creditor is as follows:

After a hectic course of intense activity, while trying to compete on the average price basis, I found that I had run myself into the ground, with an unlovely list of unpaid bills as the main result.

This prospect has loomed increasingly large, still the means of overcoming it was slow in solution.

Despite this, I nourished the conviction that if the need became sufficiently great, the proper way out would reveal itself at the eleventh hour, born in the heat of travail.

This belief has been justified, and it now appears that my greatest inhibition, the inability to recognize that a better class of work, can be profitably sold, has been mastered. It needs but the proper approach and presentation, to convince the public, that they will receive a greater money value, with the better product.

An added drawback was my culture of the fetish, that a low overhead means a larger net return. I find this uncertain, as it is better to spend half a day planning with a clear head, and selling a job returning a profit for the work performed, than to work double the time at something yielding no profit.

Similarly, a fact dimly perceived but seldom practiced, is that the fundamentals of successful salesmanship lie in "Calling on a lot of people, and asking them to buy your stuff," ergo, to go out and hustle.

This being the case, now that I have practically completed the rebuilding of my shop, of which I am rather proud, I shall sally forth to work with a vigor, interest, and above all, conviction, that has not previously been approached by me. Meanwhile, since in effect, I have unwittingly made you my bankers, I shall voluntarily pay interest on all overdue accounts, as the importance of credit maintenance is clearly evident to me.

"Let us then be up and doing."

With a heart for any fate."

Grimly yours.

**CREDIT MONTHLY**

# Burroughs



## Accounting Machine

### **Turns Many Accounting Expenses Back Into Business Profits**

On such records as payroll, billing, purchase records, cost records and similar accounting work, Burroughs Accounting Machine actually adds to the profits by reducing the cost of accounting.

It is the only machine that multiplies directly, prints results and totals by a single key depression, type-writes, adds, subtracts, accumulates totals and posts several related records at one time.

It completes the entire accounting job quicker, more efficiently and at the same time effects substantial economies in the cost of bookkeeping.

Call the local Burroughs office for a demonstration of the Burroughs Accounting Machine on your own work

**BURROUGHS ADDING MACHINE COMPANY**  
6182 SECOND BOULEVARD • • DETROIT, MICHIGAN

ADDING · BOOKKEEPING · CALCULATING AND BILLING MACHINES

FEBRUARY, 1930

*When writing to Burroughs Adding Machine Company, please mention Credit Monthly*



# Edison Thanks Business

We wish to thank the business world for their continued interest and enthusiasm for the Ediphone, our dictating machine product. The goodwill we enjoy is our most priceless business asset.

Our laboratories, factories and field are organized to render even greater service to business, believing that the Ediphone like the telephone has become a world-wide institution.

Catching the spirit of the New Year with Mr. Hoover, who believes, "*It is action that counts*," the assistance of our office organizers is offered to help your business in 1930 to greater prosperity and expansion without expense.

Telephone "The Ediphone," your City, or ask us for the book, "*Getting Action*."



THOMAS A. EDISON  
INC.  
ORANGE, N. J.

**Ediphone**  
Edison's New Dictating Machine  
World-Wide Service  
in all Principal Cities

Radio Program Monday Evenings

## Walton H. Newton

(Continued from page 9)

the picture. There would be fewer graves in the bankruptcy cemetery if economic principles working through sound adjustment and correlative legal procedure had been substituted for bankruptcy proceedings."

Out of his innumerable adjustment and collection experiences, the President's Secretary recalled another that is particularly interesting because the exigencies of the situation required his writing out in long-hand a petition in bankruptcy, dictating it over a long-distance telephone for forty-five minutes, and getting it filed in the clerk's office a few minutes before midnight—the zero hour for having the petition registered to meet the situation effectively.

When I asked Mr. Newton what were his chief duties, as Secretary and Administrative Assistant to President Hoover, he answered,

"My duties might be divided into three main categories. The first has to do with those agencies that do not come under any of the executive departments or Cabinet officials. There are certain agencies, bureaus and commissions that report direct to the President. All matters pertaining to these agencies are cleared through me to the President, and it is my duty to act on any problems that do not demand the President's direct personal attention."

Two Cabinet officials told me that this one duty of Mr. Newton's was similar to the major duty of a Cabinet officer. He is responsible to the President for these unrelated agencies in the same way that a Cabinet officer is responsible to the President for the bureaus and divisions in his department.

"My second duty is that of liaison official between the President and Congress," Mr. Newton explained. "My tenure of service in Congress has given me the legislator's viewpoint and it is my responsibility to harmonize executive and legislative action. I meet congressional committees, assist in personal matters between the President and congressmen, interpret and indicate the President's attitude regarding legislation, and in general take care of White House matter 'on the hill,' as the Capitol is designated in Washington circles.

"The third major duty is that of political adviser and assistant to the President. Whenever there are po-

litical considerations involved in administrative acts or in appointments I confer with the President, analyze the probable effects and results and test these problematical results for the purpose of maintaining political balance."

Mr. Newton is President Hoover's human barometer on political weather, and as such, is one of the pivot men in the sphere of presidential activities. His value to business and to the Nation would be difficult to determine, but his career is definitely an object lesson in the values of credit training for inculcating executive judgment, administrative vision and discerning humanism in man.

## Commercial Education

**A**N outstanding piece of educational work has recently been completed by the Educational Committee of the Cleveland Association of Credit Men under the leadership of C. R. Metcalf of the Oster Manufacturing Co.

Two years ago, the Office Managers' Group of the Cleveland Association decided to make a survey covering the requirements needed by office workers and the training supplied by public and commercial schools to fit students for office positions. The survey carried on under the chairmanship of Mr. Metcalf had the co-operation of the high schools of Cleveland as well as the office managers who are members of the Cleveland A. C. M.

The results of the investigation have been published in a book entitled, "*A Scientific Study in Curriculum Making for Junior Courses in Business Education*," prepared by William L. Connor, chief of the Bureau of Educational Research, Board of Education, Cleveland, and Lloyd L. Jones, Educational Adviser, N. A. C. M.

The survey which is the first of its kind in the country came to the attention of the Educational Department of the U. S. Government and Professor Jones was asked to come to Washington to explain it in more detail. Professor Jones was then asked to present it at the International Congress on Commercial Education recently held at Amsterdam, Holland. The survey will be used in the revision of Civil Service examinations for clerks, stenographers, and typists.

**CREDIT MONTHLY**

When writing to Thomas A. Edison, Inc., please mention Credit Monthly

## Get Back to Discount

(Continued from page 20)

can serve him best. It does not mean purchasing all from one or two houses. He may need as many as ten, according to the size and type of his business. Perhaps he can obtain 60 per cent. from one house but in any event he must decide definitely to limit his sources of supply.

### Advantages of Concentration

A program of concentration insures uniform stock and prevents a duplication of style. It enables a retailer to merchandise properly, to prevent lost sales; it is a great aid in educating store clerks and floor salesmen since they need to become familiar with fewer lines.

A clean stock, with little or no odds and ends, means an adequate turnover. Prompt deliveries are assured and a dealer can sell from his entire stock instead of doing business on 60 per cent. of it. Needless to say, prompt turnover is the very first requirement for profit.

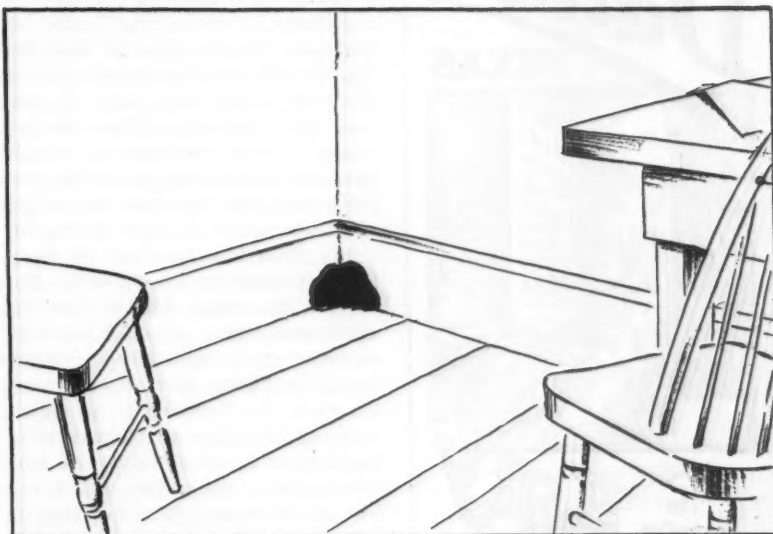
This policy means, also, simplified bookkeeping records, consequently less overhead. A merchant has fewer creditors, knows them better and is better known to them. There is a personal contact which is a great asset to any merchant. Debts here are concentrated as well as purchases and much needless worry is avoided.

The merchant who is running his business with adequate turnover, with his liabilities well in hand, is bound to be on a discount basis. Payments are made according to terms which mean dollars and cents in his pocket. Furthermore, a profitable business creates a surplus which *insures the ability to discount*. Thus when books are closed at the end of the year a business well organized is bound to show a profit.

It seems to me, therefore, that this problem of getting back to discount primarily resolves itself into a sensible buying program. The operation of the business is highly important but no merchant, no matter how economical, can make a go of it if he buys at random. There is distinct evidence right now that merchants are appreciating this fact more and more. Any merchant who finds himself unable to discount would do well to consider these facts and to get his house in order as soon as possible.

FEBRUARY, 1930

## WORTH LOOKING INTO!



Answering an inquiry as to the credit standing of one of his neighbors, Lincoln once wrote the following letter:

Yours of the 10th received. First of all, he has a wife and baby; together they ought to be worth \$500,000 to any man. Secondly, he has an office in which there is a table worth \$1.50 and three chairs worth, say, \$1. Last of all, there is in one corner a large rat-hole, which will bear looking into.

Respectfully,

A. LINCOLN

N. A. C. M. standard forms *also* are worth looking into. Designed for system, speed and savings in the credit department, they are coming into wider use every day.

These forms include five styles of financial and property statement blanks, three forms of Trade Acceptances, ten Enclosure Card forms, and the Reciprocal Trade Inquiry Blank.

Send for folio of samples

NATIONAL ASSOCIATION OF CREDIT MEN  
ONE PARK AVENUE, NEW YORK

When writing to advertisers, please mention Credit Monthly

# Dallas

## TEXAS



**"THE CONVENTION CITY"**—Location, some fifty-odd years, pluck, perseverance—of such stuff was Dallas built. Proud of rapid growth of mounting business—prouder of contributions to educational, cultural progress, her confident builders see ahead one of the major cities of the nation.

The "Katy" serves Dallas from East, North and West, through St. Louis and Kansas City. It is direct from both places, and the route permits passengers, from or via either terminal, to meet at a common point enroute.

### A TRIP OF DELIGHTFUL COMFORT

The pleasure of your trip begins the minute you board "Katy." Through Pullmans to Dallas on all trains—dining cars with a real reputation for tasty food and affable attention—oil burning locomotives and oiled roadbed add miles of travel comfort.

### FINE, FAST TRAINS DAILY TO DALLAS

Lv. St. Louis	2:01 P.M.	6:30 P.M.
Lv. Kansas City	.....	10:10 P.M.
Ar. Dallas	8:05 A.M.	12:25 P.M.

Observation cars on the Bluebonnet—newest sunparlor—lounge car on Texas Special.

Special service to the Annual Convention of National Association of Credit Men,—Dallas in May.

**GO VIA "KATY"**

## Self-Expression

(Continued from page 21)

Western Office with a view toward economy, and knowing the writer's objections to moving the Credit Department they proposed to move the Accounts Receivable records to New York and leave the Credit Department high and dry at the Western point. It is not necessary to explain to credit men how ridiculous this proposal was, but the idea seemed to catch the fancy of some of the officials of our company and the usual letter of objection did not suffice this time. The writer had to face the music and attend a conference with efficiency men and officials which lasted the greater part of a morning. If ever the knowledge of public speaking and a few of its outstanding tricks came to the assistance of anyone, it did to the writer that morning, and we came out of that conference with flying colors, having crushed the opposition perhaps for good. Our Credit Department and the Accounts Receivable are to remain in the West. That one experience was worth the price of a course in public speaking and whatever little effort went with the acquiring of the skill.

## Arbitration and Credit

(Continued from page 18)

tions in almost every branch of trade where the effects of a public dispute can be traced straight into the cash box and balance sheet and into a disturbed morale which results in loss of productive power.

I am sure I voice the interest of other bankers in saying that we would like to see the credit men of the country add another item to their inquiries concerning the various disturbers of credit stability, and that is, to what extent the use of arbitration clauses, protecting, as they do, thousands of dollars of business from litigation, can be reckoned as an asset in establishing credit.

For example, I am told that eighteen of the leading department stores are introducing arbitration clauses in their purchase contracts covering about \$400,000,000 annually. Surely it means something very definite in dollars and cents to have this volume of business freed from the risks of litigation or long delayed settlements.

Bankers are constantly importuned to extend credit or to finance business expansions or new ventures. It

may be important in the future to know whether the business men promoting these enterprises are disposed to settle amicably any future disputes or whether they prefer a fight in the open.

With a study of this subject by credit men and with their co-operation in giving arbitration its proper place in the stabilization of credit, bankers will have a very real sympathy.

## Conductor and Engineer

**T**HE relation of the Sales and Credit Departments was strikingly illustrated in a recent issue of The Credit Men's Journal, the magazine of the Canadian Credit Men's Trust Association, Ltd., by an analogy offered by J. L. Sangster, Sales Manager of the Western Canada Flour Mills, of Winnipeg. He says:

"A business may be very aptly likened to a railway train. Upon the physical condition of the roadbed, track and equipment depend the standing of the business. The Sales Department is the engine, going ahead into new fields, picking up new cars for the train which comprises the customers. The Credit Manager is the conductor, who is responsible for the safeguarding of the train and for seeing that only those cars are attached to the train that will couple up properly and run smoothly.

"The conductor should be as thoroughly familiar as is the engineer with the territory through which the train runs. It is important that he know the details of every stop, and whether or not a car suitable to carry the traffic may originate at each point.

"In the operation of a train, the constant aim is to have the load just as heavy as the power, roadbed, and equipment can sustain. The only way this can be attained is by having each part functioning in its proper relation toward the common end."

## Retail Quantity Discount

**A** SOUTHWEST grocer, reports Domestic Commerce, is attracting trade by offering a straight discount on quantity purchases of practically all canned and packaged merchandise. The amount of the discount varies with the price of the article, and ranges from five cents on each article selling at 70 cents or more (if three or more articles are purchased), to one cent on each article selling at 11 to 29 cents. The grocer also offers his customers 12 articles for the price of 11.

The dealer claims that, although his average discount is 5½ per cent., he demands and gets a higher price for his merchandise than his competitors who use cut-price methods to attract business.

**CREDIT MONTHLY**

When writing to M-K-T Railroad, please mention Credit Monthly



# "Pay or I'll Shoot"

## How Benvenuto Cellini Made a Collection



*Benvenuto Cellini's Business Methods Were Unconventional.*

If we may trust his own accounts, Benvenuto Cellini, famous goldsmith and man-about-town of the sixteenth century, deserves no less renown for his competency in bill collecting than for his skill in handling gold and silver. His collection methods would hardly be sanctioned by business or society to-day, but they had the merit of being speedily effective.

At one time, so Cellini relates in his celebrated Autobiography, he was commissioned by the Bishop of Salamanca, a Spaniard, to make him a vase. The prelate, who was "extremely rich, but difficult to please," sent daily to learn what the sculptor was doing, and grew intensely impatient while Cellini labored diligently to produce a work of art. When it was delivered at the end of three months, the Bishop lifted up the vase to admire its beauty and then cried, "I swear by God that I will take as long in paying him as he has lagged in making it."

Cellini, hearing of this, was exceedingly put out, and when chance gave him the upper hand, he was quick to use his advantage. It happened that the vase had a handle made all of one piece, with the most delicate mechanism, which, when a spring was touched, stood upright above the mouth of it. Upon one occasion, the bishop was ostentatiously exhibiting his new possession to some Spanish gentlemen, when one of them, upon Monsignor's quitting the room, handled it roughly and broke the spring.

Aware of the mischief he had done, he begged the butler to take the vase back to the maker and order it repaired at his expense.

Cellini hastily set the spring in order, but when the butler returned and demanded it, he refused to relinquish it, saying, "Tell your master that I want the money for my work before I let the vase leave this shop." The butler left, threatening to come back with Spaniards enough to cut the artist in pieces.

He was as good as his word, but when they appeared, Cellini showed them the muzzle of his gun and frightened them off with his shouts that he would kill the first man who approached his workshop.

The affair reached the ears of the bishop, who sent a message in arrogant words that if Cellini would bring the vase, he would pay for it at once.

Cellini did not stir until some Roman noblemen guaranteed that the prelate would not harm him, and even then, he went to the palace armed with a large poniard and a coat of mail, prepared to stab any one who prevented his receiving his money.

The churchman commanded him to write a receipt for the payment, but this Cellini declined to do until he had received the amount due. At last, the bishop dared not hold out any longer and, though he continued to fling about threats and recriminations, paid the money. Cellini wrote the receipt, and then, he says, "I departed, glad at heart and in high spirits."

And this triumphant emotion all Credit and Collection Managers will be able to appreciate.



## FIREMAN'S FUND

INSURANCE COMPANY

*Assets in Excess of \$39,000,000*

Claims paid promptly—cheerfully—fully.

Over \$11,000,000 paid in the San Francisco fire.

Head Office SAN FRANCISCO

Departmental Offices

NEW YORK CHICAGO  
BOSTON ATLANTA

*Agents Everywhere*

## Look to your Sprinkler System

Have the weak spots mended. Protect the sensitive system against winter's damaging draughts: Sprinkler heads are liable to freeze at this time of year and cause nearly as much damage as a fire itself.

*Does your company own a Springfield sprinkler leakage insurance policy? There is a Springfield agent within reach of your 'phone. Ring him up today.*

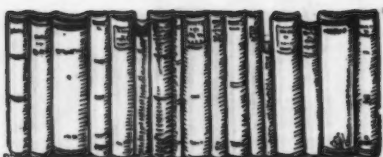
## Springfield Fire and Marine Insurance Co.

*80 years of Property Protection*

Springfield, Mass.



## The Business Library



Conducted by

**Frank A. Fall, Litt.D.**  
Director of Education and Research  
N. A. C. M.



### This Month's Business Book

**ECONOMIC RESOURCES AND INDUSTRIES OF THE WORLD.** Isaac Lippincott. D. Appleton & Co., N. Y. 1929. 656 pp. \$5.00.

A most encouraging sign in the credit fraternity today is the tendency on the part of many appraisers of credit to abandon the mole's eye view in favor of the bird's eye view of the business fabric. The Credit Manager must, as Voltaire suggested, "cultivate his garden," but he will do the job with far greater efficacy if he straightens up occasionally and takes a look at the more distant scenery.

Here is a book which will help the credit executive to orientate himself in the broad field of general business. It will give him interesting and useful facts about the raw materials and the manufacturing processes which make possible the profit-producing activities of his concern, and incidentally it will show him how much real romance there is in the so-called "dismal science" of economics.

Dr. Lippincott's "Economic Development of the United States" was reviewed in the CREDIT MONTHLY for September, 1927. The present volume applies the same method, but with a world-wide scope. Together the two books are, in effect, a complete encyclopaedia of economic resources.

Part I deals with basic factors in the development of the resources and industries of the world. Chapters are devoted to the present status of international commerce, the effect of human resources on the growth of trade and industries, the influence of human institutions, the effect of foreign investments on the development of resources, and the importance of a world economic organization.

Part II presents the resources of the various parts of the world, including the products of forests, fields, mines and waters. Since the minor metals play an important part in modern industry, considerable attention is given to the supplies of such materials and to the conditions involved in their exploitation.

The final section, Part III, covers the industrial growth of various countries. Emphasis is laid on the economic conditions in the leading nations, but much attention is given to the more backward regions which are just beginning to be touched by the spirit of modern enterprise. Dr. Lippincott presents what he believes to be the needs of such regions and the conditions requisite for their economic growth.

Looking forward and attempting to forecast the probable development of our industries, the author considers the future of power resources as far less critical than that of the industrial metals. It is true that the stores of mineral power substances are not unlimited. Petroleum, for example, is probably much nearer exhaustion than most people realize, and although the coal reserves are large they are not abundant in view of future demands. Coal and petroleum, however, are not the only power resources. Many parts of the world contain great supplies of water power. It has been estimated that the energy contained in the undeveloped water-power resources of the United States is about equal to that contained in our annual output of coal.

Even now there are promises of other sources of power than those contained in coal, petroleum and waterfalls. But, in the last analysis, power must be used in connection with devices constructed with iron and copper. The supply of these metals, therefore, which are the material for dynamos, motors and other machinery, contains the key to the future of industrial progress.

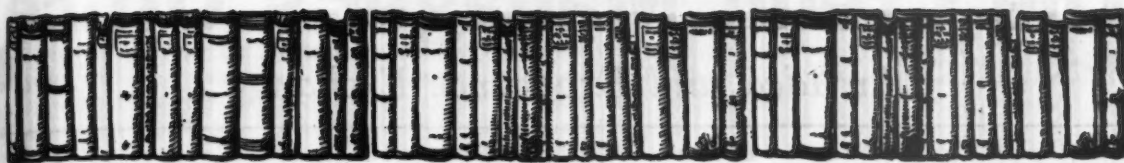
In conclusion Dr. Lippincott raises the question whether the industrial age, which may be said to have begun in this country about 1880, is merely a passing phenomenon. Epochs have come and gone. Each has been characterized by certain outstanding features, as our own is by the extensive use of machines, by power devices, by specialization and division of labor. But progress based upon these things has its limits and these are determined first by the available sources of materials and by the genius of discoverers and inventors. Our salvation rests as much with engineers and entrepreneurs as with the materials which nature has stored beneath the surface of the earth.

All of this may seem very far from the immediate duty of appraising a credit risk, but the connection, though seemingly remote, is none the less real. The employee who is content to serve and to be known merely as a "credit checker" will probably not discern the importance of a knowledge of the facts underlying production and distribution, but the real credit executive, actual or potential, will grasp it, and will use such a book as this to improve his background, increase his cruising radius, and enlarge his usefulness in the councils of his firm.

### Build Your Own Business Library

Books reviewed in "The Business Library Department" may be obtained by sending check or money order, covering the list price, to the CREDIT MONTHLY, One Park Avenue, New York City. The MONTHLY guarantees prompt delivery and pays all carrying charges.

## The Business Library



# Controllershship Organization—Bank Management

## Controllershship Organization

ACCOUNTING FOR EXECUTIVE CONTROL.  
Monard V. Hayes. Harper & Brothers, N. Y.  
1929. 496 pp. \$6.00.

The author of this book is a member of the staff of H. A. Hopf & Company, management engineers. The Introduction is by Dr. Roy B. Kester, professor of accounting in Columbia University and himself the author of an outstanding text on accounting.

The book is timely for several reasons. First, treatises on accounting have heretofore been written largely from the point of view of the public accountant, who deals chiefly with past history, rather than from that of the controller, who uses accounting data to shape policies for the future. Second, the volume stresses definite planning of operations toward profit-making, which is the real goal of business enterprise. And finally, it is an admirable text for schools and colleges which offer courses in engineering and business subjects.

Part I tells how the science of management has been and is being developed, and describes various concepts of the general field of accounting. Part II deals with "Top Organization and Control;" Part III with "Standards and Records Control;" Part IV, "Marketing Control;" Part V, "Procurement Control;" Part VI, "Labor Control;" and Part VII discusses a number of special problems including external co-ordination, internal statistical study, budgeting, and the analysis of variations in sales and costs.

The organization of a fact-finding bureau or agency within a business has been, as Dr. Kester points out, of comparatively recent growth. Probably the outstanding recent development in the internal business structure has been controllership organization. Once the means of fact-finding and reporting became available, the development of a technique to handle and care for them was a logical sequence. In those business organizations where this technique has been worked out, these activities have usually been headed up in a controller's office, which has become an agency for collecting, summarizing, reporting and interpreting the factual data needed for

the determination of proper policies and their execution.

Just how the controllership principle should be correlated with the other elements in the business is a real problem of organization. The accounting office has, of course, always been the place where the significant financial facts of business have been recorded. In the opinion of Dr. Kester and Mr. Hayes, the best modern practice calls for the expansion of this department, under the direction of a controller, to include the gathering of facts and figures which are not strictly financial but are nevertheless significant and important. This plan has the advantage of making use of an established agency with a personnel already trained, rather than building up a new staff with the possibility of duplication of effort. It is chiefly in this way that controllership has developed thus far, and it has unquestionably proved itself worthy of its trust.

Although the idea is not brought out in Mr. Hayes' book, it is a fact that the credit manager and his department have a direct and important relationship to controllership. Many of the credit manager's activities are essentially controllership functions.

This seems to bear on the organization set-up in at least two ways. First, it indicates the necessity of close and continued co-operation between the credit department and the controllership. Second, it makes, or should make, the credit manager a preferred candidate for the job of controller, if the executives of the concern decide to follow the wise and logical policy of filling this position without going outside of the organization's effective personnel.

## Better Bank Management

THE BANK AND ITS DIRECTORS. Craig B. Hazlewood. Ronald Press Co., N. Y. 1929. 251 pp. \$3.50.

One of the chief duties of bank directors, as seen by the widely known American banker who wrote this book, is to ask questions. In many instances where banks have been compelled to liquidate through inability to meet proper demands made on them, the directors have said: "We do not

know anything about this or that." In the author's opinion it is entirely their own fault if such a condition exists. When they attend meetings they should ask frequent questions, particularly about loans. "If I were a director in a bank," said the president of a Kansas bank, "and the management expected me to be a figurehead, I would resign." Mr. Hazlewood wholeheartedly seconds the motion.

In regard to bank failures, which reached the amazing total of 4500 in the ten years following the world war, the author says that in 95 per cent of the cases some form of bad management was discovered. Not much dishonesty was found, but a world of incompetency was evident. The widest publicity was given to the failures, but none to the banks which came through the serious post-war difficulties successfully.

As to causes of the failures, Mr. Hazlewood calls attention to facts such as these:

1. A large proportion were of so-called one-man banks where composite judgment and cross inspection were not operative, where officers lacked the proper experience, and where negligence by the bank's directors was obvious.
2. Many of the failures were in communities having too many banks.
3. Many were in the newer sections of the country and in one-industry sections where agriculture or mining, textile manufacture or some single line of business prevented the diversification in loans which is so essential to conservative operations.

Two ways are pointed out in which the directors of a bank may assure themselves against failure:

1. In the original organization or at the earliest possible moment, employ thoroughly competent and time-tested management ability, in order to make sure that the bank will be operated with due observance of proper principles and rules.
2. Maintain adequate inspection and regular, systematic examination of records and conditions to verify the sound operation of the institution and to discourage any member of the banking staff from laxity.

(Continued on page 40)



# The Credit Manager's Office

*An Idea and Experience Exchange*

## Multiple Information Customer Control Record

*New York.*—I have been reading with interest your department known as the "Credit Managers' Office" since this was made one of the many good features of the CREDIT MONTHLY.

Certainly I have already received a few interesting "tips" and feel that if this department continues, as I hope it will, that every credit manager will be able to get some information that can be adapted to relieving his own burdens.

One of the most important problems that we of the credit fraternity have, is the need for easily kept, accurate, and quickly accessible records, and therefore I do not think it would be amiss for the credit man of a system organization to say a few words about the system that we use for a multiple information customer control record.

Our own equipment for this record is a new type of visible record consisting of a series of vertical units.

At a glance it gives us on 5 x 8 inch printed record cards all of the following features:

- (1) A complete alphabetical list of all accounts.
- (2) An up-to-the-minute C.O.D. account control.
- (3) A quickly and easily posted account record.
- (4) A monthly sales volume indicator, in all of the various products of our manufacture.
- (5) A record of the account distribution by salesmen.
- (6) A quickly accessible credit limit control.
- (7) A telephone index of all dealers.
- (8) A quickly assembled sales analysis.
- (9) An indexed guide to the completion of credit file information.

We thus combine within the scope of one compact unit ten of the most necessary record units.

The only independent filing record that we need other than this system, is a credit correspondence file, and we even make this unit we have serve as a control for the proper completion of the credit correspondence file.

The cards are filed in strict alphabetical order, in vertical two-drawer

cabinets and do not have to be thumbled over or counted through to find any desired card. To locate the card, a sub-divided alphabetical index is used as a division separator, and a metal tip alongside of the Guide is snapped up, instantly exposing the names on a group of ten cards, each with its title visible, each card being conveyed to its proper position of visibility by the automatic action of a group of ten pockets.

Should the card be removed for entry or notation, it is quickly returned, because the empty pocket shows a gray margin in the place of the card which has been removed and the card is simply placed against this gray margin and pushed down into place in its own individual pocket. When this has been done, a slight push downward on the metal tab folds the ten pockets back into their original filed position.

In the particular cabinet we have a capacity of 400 pockets in each drawer, each pocket containing one card. Our cards are also ruled across the top in small blocks for signal tabs, and a quick glance over the tops of the cards gives us a quick idea of any improvement in general collection conditions, by noting the presence, and/or, the absence of red signals indicating slow pay accounts.

Along the same line, which is blocked out by months, a blue or green signal tab shows the last month in which a purchase was made, and a quick glance at the increase or decrease in the number of these tabs automatically signals when sales efforts require more pressure.

By actual test we have found that any card in a group of three or four thousand can be located and exposed to view in the average time of six seconds by the use of the vertical visible unit.

I would welcome a personal exchange of ideas with regard to credit file problems confronting the financial executive.

WILLIAM J. BIEGEL,

N. Y. Wholesale Branch, Shaw-Walker Co.

## Clipping Machine Makes Envelope Permanent Record

*New Orleans.*—As Secretary of my company, it is my custom to look at every piece of mail which comes in to the office departments, all of which are under my supervision. This keeps me in touch with all departments and gives me a bird's-eye view of the business from day to day. Whenever a financial statement is received, I write across the envelope the date and my signature and then, with a clipping machine which I keep on my desk for the purpose, attach the statement to the envelope. In this way, we have the proof we need to go into court, should this step be necessary on account of false statements furnished. This precaution was the means of our bringing about the conviction of a fraudulent creditor upon one occasion when our credit manager was called upon to go to Washington to testify in a case.

C. C. NIFONG,  
The E. V. Benjamin Co., Inc.

## Incomplete Credit Reports

*Fort Worth.*—The following form which is attached to incomplete credit returns was devised by our Credit Department. It follows out the scheme of bank notices on checks and saves much work and correspondence.

R. SEIBEL,

Texas Pacific Coal & Oil Co.

### TEXAS PACIFIC COAL AND OIL COMPANY

#### Credit Division

#### Return of Incomplete Credit Application

This application returned for reason checked below:

- 1.... Writing illegible.
- 2.... Partnership names not given.
- 3.... Insufficient address.
- 4.... Business or employment not clear.
- 5.... Approximate monthly purchases omitted.
- 6.... Credit limit recommendation omitted.
- 7.... No reference.
- 8.... Give three references if possible.
- 9.... Banking Connection omitted.
- 10.... Reference addresses incomplete.
- 11.... Farmer Application. Must know whether owns farm, how many acres, and definitely, if he will pay every thirty days.

#### NOTE TO AGENTS:

Please complete and return this application to Credit Manager, Thurber, Texas, at your earliest convenience. It will save time and delay in securing your credit ratings, if you will check the above items carefully before sending in applications.

CREDIT MONTHLY

## Following Up Delinquent Accounts

*Louisville.*—There is one system that I have been using for a number of years with very satisfactory results, without making any change whatever, and I am going to briefly describe this system which I use in connection with following up delinquent accounts.

We make a statement of every open account on our books the first of each month. These statements are 9 $\frac{3}{8}$  inches by 5 $\frac{3}{4}$  inches and are made in duplicate. The original of the statement is made on a white Bond stock and the duplicate is of a light grade yellow Manila. After the statements have been made out a clerk in the Department separates all of the white statements from the yellow, then the white statements representing accounts past due are attached to the letters in the correspondence file and are not mailed out until the next letter is written to the delinquent customer, when they are enclosed with the letter, thus saving postage and also giving a check on every account on our ledger that every past due item is being followed up.

All statements representing accounts maturing during the coming month, between the 1st and the 24th are placed in a tickler file according to date of maturity, and are not mailed out but are taken from the tickler file about once each week and a form letter enclosing the statement is sent to the customer after account has reached maturity. Thus no statements are mailed out covering past due accounts, nor statements mailed until accounts are due except our city accounts where we have an arrangement that they pay us on the 10th of each month.

The statements which mature beyond the 24th of the current month period, which carry future dating, are mailed out for comparison only, since they are of no value from a follow-up standpoint. This system therefore, disposes of every statement in an orderly manner, and of course the beginning of collection correspondence on any account starts when the letters are written immediately after maturity enclosing statement of past due indebtedness, and is followed up from time to time until the account has been closed.

Now, the copies of the statements

are checked with the ledgers after the trial balance is taken to make sure that every yellow statement is intact, then these yellow copies of statements are separated according to the different States as well as alphabetically, and are placed in a small specially-made binder with green celluloid tabs separating the States for quick reference, and as the checks come in each day they are marked off the collection book so that we know at all times the standing of any account which is overdue or which may reach maturity up to and including the 24th of the current month.

Another advantage in the system of using these yellow sheets is that we know the amount owing us in each State on the first of any month, which we have found valuable in filing our reports with various States where we do business as a foreign corporation. This system of handling accounts causes no interruption in the work of the bookkeepers as the collection book affords an opportunity to handle correspondence without any reference whatever to the ledgers.

I also find the collection record very valuable, for when we get our route lists from our salesmen showing the towns they expect to make during the coming week, we can run through the States and in a few minutes determine whether any past due accounts are in these territories, and immediately send statements for our salesmen's attention.

C. W. WHITE,  
Logan Company.

*Readers are invited to send in their successful ideas and methods for this page. Full information about any appliance mentioned may be had by writing to the CREDIT MONTHLY.*

### Stamp Collection

**S.** A. AIKENHEAD, Willson Stationery Co., Ltd., Edmonton, writing in the Credit Men's Journal of Canada, says: "On small accounts, when we send the monthly statements out, we enclose a stamped addressed envelope and a small envelope to take care of stamps if the account is small enough to warrant this, and ask the customer to kindly mail remittance before putting the letter aside. We point out to him the necessity of all small accounts being paid. The stamped addressed envelope is much cheaper than a draft and usually saves sending three or four extra statements and the account is usually paid."

## CONSULT A SPECIALIST IN CREDIT INSURANCE

### If You Would

Avoid the uncertainty of the future—limit bad debt losses to a minimum—safeguard your credit man's decisions—have as credit allies the experience, guarantee, prestige and service of a large, highly regarded credit insurance company.

**EDWARD T. HOLLAND**

One Park Avenue  
New York, N. Y.

Telephone Caledonia 1180

Clip This as a Memorandum

Be Sure and Ask for  
**MR. HOLLAND**

When you call Caledonia 1180

## WRITE more EASILY WITH **LISTO** PENCILS and LEADS

A Million Users Know Their Superiority  
LISTO PENCIL CORP., Dept. H., Alameda, Calif.

### POSITION WANTED

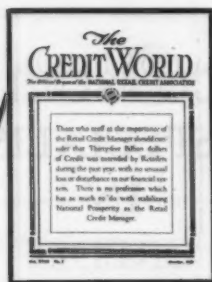
Young man—married—age 26—desires connection with large organization as Assistant Credit Manager—experienced and possessed of educational and executive qualifications. For further details write—National Association of Credit Men, Box 2PW.

### POSITION WANTED

Credit Executive—age 30—Married—12 years' experience handling domestic and foreign credits. Desires connections offering opportunities. Address Box No. 1 PW, National Association of Credit Men, 1 Park Ave., New York, N. Y.

**FEBRUARY, 1930**

When writing to advertisers, please mention Credit Monthly



## RETAIL and WHOLESALE CREDIT

### Two Complementary Factors in a Complete Credit Picture!

**CREDIT WORLD** is a publication which meets the demands of the retail credit men of this country. It's our contention that **CREDIT WORLD** is valuable to ALL credit men because of the articles it publishes and its credit-editorial policy. The wholesale credit man should keep closely in touch, ever familiar with the retail credit man and his methods of successfully extending credit.

**TAKE 2 ONE \$ BILLS FROM YOUR BILL-FOLDER — FILL IN THE COUPON—ATTACH—AND MAIL TO US.**

**YOU'LL PROFIT BY READING CREDIT WORLD**

Please send me *Credit World* for one year. Attached is \$2.00.

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# The Ideal Credit Manager

By E. H. Johnson

F. W. LaFrentz & Co., Atlanta

It is estimated that of the 700 billion dollar volume of business done in the United States last year, 95 per cent. was based on credit. As the indications are that credit business will increase rather than decrease, so that credit and the Credit Manager will become more and more important factors in our commerce and industry, we may well pause to consider what the ideal Credit Manager, the Credit Manager who is fitted for these ever-broadening responsibilities, is like. Let us try to picture him.

#### In SELECTING CREDIT RISKS, the Ideal Credit Manager

Prevents many losses to his company by sound credit appraisal and investigation before shipping, instead of taking chances and reasoning that "if I don't ship some one else will."

Frankly states his reasons for the refusal of credit, thereby helping an unworthy applicant for credit to make himself worthy, if it is in him.

#### In ANALYZING CREDIT INFORMATION, the Ideal Credit Manager

Distinguishes between capacity to pay and willingness to pay.

Realizes that the ledger experience of other creditors does not tell him much beyond the debtor's willingness to pay, and that he must have other information to enable him to gauge the debtor's capacity to pay.

Focuses attention on essentials in financial and operating statements by using the following ratios relating to assets, liabilities, and operations:

- 1 Current Assets to Current Liabilities
- 2 Worth to Debt
- 3 Worth to Fixed Assets
- 4 Sales to Receivables
- 5 Sales to Inventory
- 6 Sales to Fixed Assets
- 7 Sales to Net Worth
- 8 Sales to Cost of Goods Sold
- 9 Sales to Other Costs

with such changes or other ratios as may best fit his own line of business.

Compares successive statements and observes carefully the changes in these ratios.

Organizes the work of examination of statements and the computation, recording, and survey of ratios so that much of the work may be delegated to others, leaving him free to give proper attention to the cases that present indications of future delinquency.

#### In Co-OPERATING WITH THE SALES DEPARTMENT, the Ideal Credit Manager

By precept and example unifies the

viewpoints of the Credit and Sales Departments, thereby establishing that necessary co-ordination between the two that will make him a positive and not a negative sales factor, and the salesmen important factors in credit relations.

#### In MAKING COLLECTIONS, the Ideal Credit Manager

Is aware of the high cost of slow collections.

Expedites collections, reduces losses, stimulates sales, and increases net profit by not only working on the poor and unreliable payer but by working energetically on the "slow but good" payer, and, as a matter of ethics as well as business, by compelling strict adherence to the stated sales and discount terms.

Thinks in terms of capital turnover as well as stock turnover and, seeing beyond bad debt losses as a certain percentage of sales, adopts net profit as his goal.

#### To function efficiently, the Ideal Credit Manager must have

An international as well as local and national viewpoints.

An understanding of the fundamental principles of economics, since commerce and industry are subject to the laws of economics.

A familiarity with commercial law.

A working knowledge of accounting methods, since he not only is responsible for accounts in his own company but is interested in those kept by his debtors.

#### Furthermore, the Ideal Credit Manager must

Function to some extent as a banker, because a large part of his company's capital, carried as receivables, is actually in the hands of his customers who seldom pay interest.

Make his decisions as wisely as a banker, in less time, and often without the opportunity of personally meeting the debtor.

Be a student, because, regardless of how much he may think he knows, he still has much to learn.

Take an active interest in his local Association of Credit Men and in the study classes provided, and be in close touch with the National Association of Credit Men and its publications, for otherwise he cannot acquire the wide range of knowledge necessary for a thoroughly competent credit manager. Be a capable business man, with a knowledge of merchandising, insurance, and retail credits and collections, because he will frequently be called upon to advise and help inefficient business men who are in debt to him.

Be, finally, a creator as well as a conservator of capital.

**CREDIT MONTHLY**

When writing to the *Credit World*, please mention *Credit Monthly*



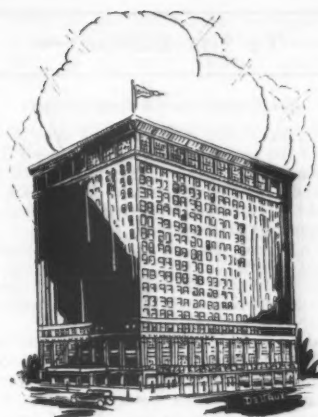
# One Month's Convictions

Credit Protection Department of the National Association of Credit Men

NOVEMBER, 1929

CASE	INDIVIDUAL	CHARGE	SENTENCE
Menzin Shirt Co. New York City. (Knit goods)	Abraham Menzin	Issuing a false statement	30 days
Irving Sachs, Baltimore, Md. (Cloaks and suits)	Irving Sachs	Concealment of assets	Deferred
Wells, Inc., Jacksonville, Fla. (Furniture)	M. E. Wells	Concealment of assets	1 year and 1 day
H. A. Kelley, Greenwood, Miss. (Dry goods)	H. A. Kelley	Concealment of assets	2 years Atlanta Penitentiary
Stephen Siedlecki, Detroit, Mich. (Meats)	Stephen Siedlecki	Concealment of assets	2 years Leavenworth Penitentiary
Plymouth Clothing Co., Minot, N. Dakota (Clothing)	W. J. Gerding	Vio. Postal Laws	Fined \$200.00
National House Furnish- ings Company Hammond, Indiana. (Furniture & house furn.)	Simon Grusin Robert Grusin	Conspiracy to conceal assets Conspiracy to conceal assets	18 months Leavenworth Penitentiary 18 months Leavenworth Penitentiary
Kovach's Dept. Store, E. Chicago, Indiana. (Gen'l mdse.)	David A. Kovach	Vio. Postal Laws	Fined \$100.00
Wm. T. Early, Waukegan, Ohio. (Gen'l mdse.)	Wm. T. Early	Vio. Postal Laws	6 months suspended Fined \$200.00
Emil Moroni, Johnson City, Ill. (Furniture and gro.)	Louis Brevi Teresi Brevi	Concealment of assets Concealment of assets	6 months suspended To pay cost of prosecution 6 months suspended Fined court costs
Essaner Corp., Chicago, Illinois. (Paints & chemicals)	Louis Widen Isadore Dichter Robert Goldstein	Conspiracy to conceal assets Conspiracy to conceal assets Conspiracy to conceal assets	30 days county jail Fined \$200.00 30 days county jail Fined \$150.00 Deferred
Zammers Cash Store, Jenks, Okla. (Shoes)	Mrs. Naheel Zammer	Forgery	6 months State Peni- tentiary at McAlester, Okla.
Eureka Bros., Cleveland, Ohio (Groceries)	Robert Eureka	Concealment of assets	15 months Chillicothe Jail
E. A. Busby, Oildale, Calif. (Welder)	E. A. Busby	Concealment of assets	6 months County Jail, Bakersfield, California

Total of 342 Convictions from June 1, 1925 to November 30, 1929.



THE BAKER  
DALLAS

The 1930  
CONVENTION HEADQUARTERS  
of the  
N. A. C. M.  
May 12 to 16

... is The Baker Hotel in  
Dallas, Texas.

This hotel is one of the Baker chain of ten hotels in the Southwest. It is new, modern and ideally arranged and equipped to care for convention meetings.

The Baker Hotel has 600 rooms, each with private bath, running ice water, Valedor and other conveniences and comforts; a large convention hall; ball room; main dining room, coffee shop, cafeteria and is the home of the nationally famous roof garden ... "Peacock Terrace."

The Baker Hotel is indeed pleased to be host to the National Credit Men's Convention and we shall do everything possible to make your stay with us both pleasant and profitable.

THE BAKER HOTEL  
T. B. Baker, Pres.

FEBRUARY, 1930

When writing to the Baker Hotel, please mention Credit Monthly

## To the Editor:—

### No Compromise Settlements

We have read with a great deal of interest the article on page five of your December issue regarding the practice of the members of the Cincinnati Association of Credit Men regarding the acceptance of compromise settlements.

We believe that if all wholesale houses would follow the same rule and refuse to make voluntary settlements the growing habit of offering such settlements would be greatly discouraged.

Our rule has always been to refuse settlement of an account for less than one hundred cents on the dollar. In twenty years there have not been more than half a dozen exceptions to this rule; in practi-

cally all of these exceptions we were urged by other creditors to accept and we did so out of consideration for them; but later information made us regret it, for we learned that we had made a mistake and regretted that we had not declined compromise.

We are more firm in this conviction today than ever. We do not accept compromises and the strict enforcement of this rule has had a very decided effect in reducing our credit losses.

HART SCHAFFNER & MARX  
By H. R. K.

Chicago.

### A Credit Man Wanted

Do you have on file the name of a man in the thirties or early forties who, based on experience and other qualifications, would be interested in a job with this Company?

## "Only AMERICAN CREDIT can give you exactly what you need—"

That's what one of our policy-holders, the Dayton Rubber Mfg. Co., wrote to another large manufacturer who asked for information about Credit Insurance.

"We have never been able," added the Dayton people, "to find a policy which serves us like that of the American Company. They are credit insurance experts, and can provide you with a custom built policy to exactly fit your needs. We believe the American Company to be the leader in the field of credit insurance."

Credit managers in every line — protect yourselves fully against abnormal, unexpected credit losses, with this scientific Service that is adjusted to fit your individual needs.

**The AMERICAN  
CREDIT-INDemnITY Co.**  
OF NEW YORK J. F. M' FADDEN, President

Offices in All Leading Cities

New York, St. Louis, Chicago, Cleveland, Boston,  
San Francisco, Philadelphia, Baltimore, Detroit,  
Atlanta, Milwaukee, etc.

In Canada—Toronto, Montreal, etc.

N 1047 R 210

The man we employ must necessarily have a number of years of experience, aggressiveness, personality, and be sale-minded, also have the initiative and ambition, backed up by hard work, to eventually assume a measure of responsibility in our Credit Department.

We shall be pleased to have you furnish us with the names and addresses of any likely prospects, together with such information as you may have as a result of your own investigation.

AN INDIANA MANUFACTURER.

\* \* \*

### Improving with Age

I enjoy reading your magazine because of the excellent editorial content. It seems to me it is improving with age.

H. W. GRUBER.

Philadelphia.

\* \* \*

### Another Case of Paying Fines in Instalments

Referring to the item on Instalments in "Personal Opinions" in the January issue: Our Probation officer had a young lad up for stealing \$7.50, and he told him that he would have to make a reimbursement of that amount of money, and he was to pay it in instalments of \$2.50 per week. The lad objected, and wanted to pay it in a lump sum, but the officer said, "No. I want to see you once a week and talk with you, so you will pay that sum in weekly instalments." The boy comes to see him once each week and he has a chance to talk with him and is doing him a lot of good. He has used this method in a number of instances and found that it works wonders with the boys.

I enjoy your magazine so much; it has so much good in it. More power to you.

FRANK N. McCANDLESS.

Tacoma.

\* \* \*

### Basis of Membership

The following from a Department of Commerce pamphlet is, I believe, worthy of printing in the magazine of the credit fraternity.

"When a man joins a trade association he cannot anticipate a direct-profit return for his investment. His trade association may pay dividends, but not in the usual sense of that word. Further, he must invest in his trade association some of himself as well as some of his money. He or his firm must assume a share of the responsibility for the association's activities, whose effective performance costs not only money but co-operation. This practical kind of co-operation in turn brings him into contact with the other members of his trade association and brings the operations of his business in touch with the operations of their businesses. Information is interchanged, standards of business conduct are set up and programs are mapped out for elimination of waste. The relationships which such activities involve are not the simple relationships of the investor to the corporation in which he has invested. . . .

"The social forces which an identity of interest set to work become fully operative only when they have forced the men concerned to recognize their importance by a clear analysis and concrete statement of what they are. Organized group action or trade-association activity follows on the heels of such analysis and such a statement."

C. D. M.

Chicago.

**CREDIT MONTHLY**

When writing to American Credit Indemnity Co., please mention Credit Monthly

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## Addresses Wanted

**AMERICAN VETERINARY & SUPPLY CO.**, 211 Atlantic Avenue, Brooklyn.

**BERG, J.**, t. a. Columbia Perfumery Co., 168 E. 110th St., N. Y.

**BIDDLE, HAROLD F.**, 624 Montgomery St., Jersey City.

**BONEBRAKE, LYTELL G.**, 527 West 4th St., Royal Oak, Mich., previous address 2340 "O" St., Lincoln, Nebr.

**BREAKSTONE, JACOB**, formerly 220 McDonough St., Brooklyn.

**CERICOLA, MICHAEL**, formerly in the retail tobacco business at 1700 E. 77th St., N. Y.

**CHICAGO HYDRO STONE CORP.**, formerly 1043 E. 79th St., Plant 6610 S. 58th Ave., Clearing, Ill.

**CLIFTON, H.**, East Elmhurst Tile Co., Queens Blvd. & Grand St., East Elmhurst, L. I.

**COOPERMAN, MAX**, formerly doing business as Bakerite Gas Range Corp., 461 Stone Ave., Brooklyn.

**COUGHLAN, ROBT. J.**, formerly doing business as Coughlan Drug Co., 21 E. 17th St., last resided at 1795 Riverside Drive, N. Y.

**CUSUMANO, GUISEPPI**, 33 Central Park, Rochester.

**DE SHON, HARRY**, formerly 1895 W. Adams, Corner La Salle, Los Angeles.

**FERRANTE, DOMENICO**, 229 Central Park, Rochester.

**FISHER, THOMAS**, 2742 Mt. Elliott Ave., Detroit.

**GODDY, J. H.**, Plumber, formerly of Los Angeles and Oklahoma City. Last known at Corpus Christi, Texas.

**GOLDFARB, P.**, owner of Kelly's Snappy Shirts, 1905 Second Ave., Birmingham.

**GOUGH, JOHN S.**, supposed to be residing in N. Y. C. At one time 17 E. Franklin St., Baltimore.

**HENNESSY, J. P.**, formerly Hanover, Pa. Now located some place in Phila.

**HENRICKSON, MR.**, who was formerly doing business as American Range Co. of 1674 Nostrand Ave., Brooklyn.

**JOSEPH, D. AND MEYER**, formerly of El Paso, Texas, and Aurora, Ill., now presumed to be in Chicago.

**LEROS, SOPHOCLES N.**, formerly operated the K. C. Waffle House, at Bartlesville, Okla. Reported to be in Texas.

**LEWIS, E. J.**, 409 Keith Albee Bldg., Youngstown, Ohio. Formerly ran a violin school at above address. Also ran a Music School in Columbus, later reported working for Frigidaire Co. out of Columbus.

**MCLEAN, H. M.**, prop. The College Shop, 2920 Rivermont Ave., Lynchburg, Va. May be in New Hampshire.

**McMULLEN, JOSEPH**, 10912 New York Avenue, Jamaica, N. Y.

**MARSHALL, CHARLES L.**, operated the Worthington Hotel, Herington, Kansas. Reported to be in Texas.

**MORAN, J. V. P.**, prop., Moran Drug Co., 7001 Glenwood Ave., Chicago.

**MURPHY, P. T.**, 311 10th St., also 2222 Wynton Drive, Columbus, Ga. At one time with Barker Bros. & Bullock's of Los Angeles, later Max Rosenberg Co., Columbus.

**OPTNER, A. E.**, formerly connected with Consumers Paper Stock Co., 2800 South Loomis St., Chicago.

**REID, MILES E.**, formerly located at Rochester, Mich.

**ROTHENBERG, D. A.**, formerly at 115 W. 30th St., N. Y. Last residence 725 Emmons Ave., Brooklyn.

**ROUD BROS.**, last address 8140 Lefferts Ave., Queens, L. I.

**SALZMAN, JAMES**, formerly in the retail stationery business at 11 E. Fordham Rd., N. Y.

**SCHWARTZ, THOMAS**, Schwartz's Bargain House, 1918 Baltic Ave., Atlantic City.

**SINGLETON, O. J.**, formerly located at Winston-Salem, N. C.

**STERN (JOSEPH) & WINTER (JOSEPH)**, formerly officers of Just Fur Dressers, Inc., 17 Gross St., Stapleton, S. I.

**SUSSMAN, JACK**, employed by the Cole Shoe Company, Reade St., N. Y. Was with a shoe firm in B'klyn. Later in the shoe business in Council Bluffs, Iowa, in the forepart of 1928. Sometime since that date has been located at 3331 Walnut St., Phila.

**UPPER, N. L.**, doing business as Oregon Home Equipment Company, 421 Stark St., Portland, Oregon. Reported to have gone to Wisconsin or Michigan.

**WALTERS, H. K.**, plumber and steam fitter, formerly located at Emaus, Pa.

**ZEIGLER, LAWSON**, operated the Zeigler Bakery, Stuart, Florida.

## The Bank Collection Code

**T**HE American Bankers Association is sponsoring a Uniform Bank Collection Code, which during the year just past was adopted by nine states,—Indiana, Maryland, Missouri, Nebraska, New Mexico, New Jersey, New York, Washington and Wisconsin.

The main features of the Code, which is designed to protect the collecting bank against unavoidable risks, are as follows:

1—The collecting bank now has statutory authority to accept a bank draft in lieu of cash without being liable for negligence.

2—The bank of deposit acts only as

agent for collection with the right to charge back and cannot be held responsible as purchaser when it extends credit.

3—The bank has no liability for the default of its correspondents, selected with due care, but if it accepts the credit given by a bank it is responsible for the collection proceeds as though it had received money.

4—The troublesome question as to what constitutes a preference in the assets of a failed bank is now settled by a definite rule.

5—It is now possible to continue the liability of the drawer, of a check on an out of town bank that is in failing circumstances and make him stand for the solvency of his own bank where the item is presented by mail and paid by a worthless remittance draft.

## Ask Those Who Use It

**I**F you can obtain Credit Insurance, it will give you a feeling of financial security which you may not have at this time.

## CREDIT INSURANCE LONDON GUARANTEE & ACCIDENT COMPANY LTD.

Head Office: 55 Fifth Avenue, New York City

Oliver J. Matthews, Mgr. Credit Insurance Dept.

J. M. Haines, United States Manager

FEBRUARY, 1930

When writing to London Guarantee & Accident Co., Ltd., please mention Credit Monthly



## Business Library

(Continued from page 33)

The final chapter, on "The Duties and Responsibilities of Bank Directors," is contributed by Thomas B. Paton, general counsel of the American Bankers Association. The topics dealt with in this chapter are common law duties, statutory duties, acts beyond power, errors of judgment, excess loans, wrongful dividends, deposits when insolvent, personal profit and dealings, appointment and supervision of officers, degree of supervision required, directors not insurers, false reports, and stock speculation.

In discussing loan policies, Mr. Hazlewood makes a statement which credit man-

agers will recognize as having a familiar ring. "It is a good policy," he says, "to have it understood that the bank, and not the borrower, should dictate the credit terms. Over-competition is one of the chief reasons for poor loans. One of the certain results of over-competition is over-bidding for deposits and the tendency toward the danger line in making loans. It is a mistake for a bank to permit a borrower to dictate the credit terms."

This is completely in line with the attitude of the National Association of Credit Men in regard to "terms-grabbing." Dictation of terms is, by every rule of sound business procedure, the prerogative of the seller or lender, and not of the buyer or borrower.



Irving Trust Company Building  
now being erected at  
One Wall Street, New York

## Building Trade

A manufacturer, who is building up an export business in Latin America and the Orient, writes in appreciation of the Irving Trust Company's advice and assistance:

*"You were more than kind and helpful to us when we were investigating the ways and means of exporting.*

*We expect great things from our export fields, and from the sample orders coming in, we feel that our expectations are not too high."*

Right from the beginning of your investigation of foreign fields the Irving offers you the aid of its personnel, long experienced in the handling of export banking.

Through its world-wide connections the Irving gives that prompt, competent service which is a big factor in the building of export trade.

## IRVING TRUST COMPANY

Out-of-Town Office—Woolworth Building

*New York*

## Fire Insurance and Fire Prevention

**A**N interesting and profitable meeting of the National Committee on Fire Insurance and Fire Prevention was held at the National Office, New York City, on the afternoon of Wednesday, January 22. In addition to Chairman Meek and Director-Sponsor H. P. Reader there were present Messrs. H. J. Forsdick and Charles Jost of the Committee; Franklin H. Wentworth of Boston, Managing Director of the National Fire Protection Association; George W. Booth of New York, Chief Engineer of the National Board of Fire Underwriters; and Dr. Stephen I. Miller, Dr. Frank A. Fall, E. Paul Phillips and Chester H. McCall of the National Office.

Mr. Wentworth reported on the progress of the Model Arson Law, which is now in effect in 27 states, and thanked the Association for the co-operation of its officers and members in more than 20 states. Mr. Booth made valuable suggestions concerning co-operation between the National Association of Credit Men and the National Board of Fire Underwriters. Plans were developed for giving increased impetus to the work of the local Associations in support of the fire prevention program, particularly in connection with preparation for and participation in the activities of Fire Prevention Week, which occurs each year in the month of October.

### Timesaver for Borrowers

The many recent bank mergers are a timesaver, according to the Detroit News, because "in fifteen minutes a fellow can now be refused a loan by every bank in town."

## AARON J. MIRSKI

Associates

ACCOUNTING SYSTEMS ENGINEERS  
FACTORY AND COST SYSTEMATIZING

"THAT'S PRACTICAL"

FEDERAL AND STATE TAX SERVICE

ONE MADISON AVE., NEW YORK  
CALedonia 0344

### THE TIME SAVER FOR CREDIT MEN

A BOOK which will enable credit men to save time and money in handling correspondence in collecting accounts. Cost \$5.00. Bureau of Credits, P. O. Box 511, Richmond, Virginia.

**CREDIT MONTHLY**

When writing to Irving Trust Co., please mention Credit Monthly

# Answers to Credit Questions

National Association of Credit Men

One Park Avenue, New York

## Limitations

**Q.** Please advise whether or not the element of time in deferring payment of a just obligation is sufficient cause to relieve a debtor in the state of Massachusetts from settlement.

**A.** After a lapse of a certain number of years, in every state, a debt on open account is conclusively presumed to have been paid unless during said period, the debtor has acknowledged the existence of the debt. The period of limitations varies from two years in Texas, to eight years in Wyoming. In the majority of the states, the time is six years. The period in Massachusetts is six years. See Credit Manual of Commercial Laws with Diary for 1930, page 234.

## Sunday Contracts

**Q.** We have been advised by a Michigan attorney that a contract made in that state on Sunday, even though dated on a secular day, is void. The attorney cites the case of the International Text Book Company vs. Ohl, 150 Mich. 131.

**A.** The law as laid down in the case cited is still the law of Michigan. See *Dabits vs. Hauser*, 210 Mich. 414, decided in 1920. *Howard vs. McCann*, 244 Mich. 466, decided October, 1928.

## Conditional Sales

**Q.** It is not necessary in certain states to record conditional sales contracts, for instance, in the states of Illinois, Indiana, California, etc. In case of bankruptcy in these states, what action would be necessary to replevin the equipment from the receiver?

**A.** Where the law of a given state does not require the filing or recording of a conditional sale contract, the title of the conditional vendor is usually good as against third parties, including a receiver or trustee in bankruptcy, and in the event of bankruptcy proceedings, the property can be retaken from the receiver or trustee by reclamation proceedings in the bankruptcy court.

**Q.** If a conditional bill of sale is not recorded in a state, such as New York

## As To Legal Advice

**THE** National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in the *Credit Monthly*. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principles of law involved.

for instance, and the customer should go into bankruptcy, can the equipment be removed, or does the fact that the conditional bill of sale was not recorded prevent removal of the equipment? If not, what is the particular advantage in recording a conditional sales contract?

**A.** In states such as New York, where conditional sales contracts are required to be filed, the reservation of title is void as against purchasers from or creditors of the buyer, who, without notice of the reservation of title, purchase the goods or acquire by attachment or levy a lien upon them. A trustee in bankruptcy stands in the position of a lien creditor, and if the contract has not been filed as required by the statute, the goods cannot be reclaimed.

Special rules with respect to conditional sales of fixtures have been adopted in many of the states, and in the Uniform Conditional Sales Act. The law on this subject is highly technical and cannot be fully understood without an examination of the decisions as well as the provisions of the statutes themselves.

**Q.** In certain states a chattel mortgage is required instead of a conditional bill of sale. Is it necessary to have a special form covering conditional sales in these states, or could the conditional sales form be recorded in place of the chattel mortgage?

**A.** As to the form of instrument to be used, the law of no state, so far as we are advised, prescribes any specific provisions which must be included in the contract, but the statutes usually prescribe the manner in which the contract must be signed, witnessed or acknowledged, and in many states affidavits of consideration are necessary.

## Certified Checks

**Q.** Can the drawer of a check stop payment on the same after it has been certified by the bank?

**A.** Various decisions are cited in the query and specifically the question is asked as to whether or not there is a conflict in the decisions of the different states on this point.

The rule as laid down in all the decisions we have been able to find is to the effect that after a check has been certified at the request of the drawer, payment cannot be stopped if the check is in the hands of a bona fide holder for value. This was the decision in the case of *Blake vs. Dime Savings Bank*, 79 Ohio State 189.

Several other cases cited in the inquiry are not in conflict with the *Blake* case. In *State Bank vs. City Bank*, 295 Ill. 599, the check was certified at the request of one who was not a bona fide holder, but was a forger of the payee's name. The Court held that the certification, having been obtained by fraud, was of no effect either as against the drawer or the acceptor.

In *Times Square Automobile Co., vs. Rutherford Machine Co.*, 73 Atl. 479, a New Jersey case, the certification was at the request of the payee, not at the request of the drawer, and it was held that the control of the drawer over the check was lost after the bank had certified the check and thereby made it a primary liability of the bank.

In *Sutter vs. Security Trust Co.*, 126 Atl. 435, another New Jersey case, the Court held that a drawer of a check which has been certified at his request before delivery, may recall the same and require the certifying bank to refuse payment to the payee named therein, if such payee is not a bona fide holder for value, but has obtained the check by fraud perpetrated upon him by the maker.

In *Bathgate vs. Exchange Bank*, 205 S. W. 875, the certified check had never been delivered to anyone, but after certification at the request of the drawer, was held in escrow.

This entire subject is discussed and the cases collated in an annotation appearing in 35 American Law Reports, Annotated, page 942.

## Brief and Friendly

By A. A. Parker

**W**E have made good use of the following collection letter:

Blank & Co.  
Worcester, Mass.

Gentlemen:

Our idea of a credit letter could be summarized as follows:

1. It should be brief.
2. It should be friendly.
3. It should be successful.

This letter is short; it is friendly. Its success rests with you.

Very truly yours.

WAITE HARDWARE COMPANY

By A. A. PARKER,  
Vice President

Some months ago a customer approached our cashier's desk with the above letter in his hand. As he passed my desk I thought, "he is offended by our request for payment." After paying the cashier he came to my desk and said, "I have paid my account to the first of the month and I want to tell you how much I like the letter you sent me. May I have your permission to use it in my business? My books show many overdue accounts which I find difficult to collect. Your letter made me pay

you; perhaps if I use it, my customers will pay me."

Yesterday morning's mail brought a request from a Worcester business house of very high standing for permission to use this same letter, which permission was, of course, gladly granted.

## A Conscientious Borrower

**I** RESIGNED from the board of the Metropolitan Life Insurance Company," says former Governor Smith, "because I did not think it ethical to be a director of the Metropolitan and at the same time be at the head of a real-estate company which was applying for a large loan from the Metropolitan Life with which to erect a building. The application for the loan must be made as President of the Empire State, Inc., and would therefore have to be passed upon by me at the same time as a member of the Board of Directors of the Metropolitan Life Insurance Company, which under the law must pass upon the loan. It was purely a matter of business ethics. I deeply regret severing my connection with the Metropolitan Life Insurance Company."

It is hardly a surprise at this late date to learn that Al Smith is honest. But there may be a business man here and there who might clip this statement out, have it embalmed in clear glass, and place it on his desk as a paper weight.—*World, N. Y.*

## FOR THE FUN OF IT

### The Saving Instinct

Joseph Van Raalte tells in the Chicago Evening Post, and vouches for the truth of the story, how Al Jolson visited a well-known banker not long ago and asked for and got a loan of ten dollars. The comedian signed a one-year note at six per cent. and handed the banker ten \$1,000 coupon bonds as security.

After the deal had been concluded, Jolson thanked his friend the banker and remarked that the price of safe deposit boxes was higher than he could afford and that the saving instinct was a good thing to foster in impractical artists.

### A Buying Freak

Auto Dealer—"Police station?"

Voice on Phone—"Yeah. What's wrong?"

Auto Dealer—"I've got a suspicious character here—he wants to pay cash for a used car."

—*The Horne Pipe.*

### Beanery Credit Policy

One of the many cheerful aspects of life in California is the custom of hanging up comic signs in lunch stands. Such as:

"Don't say 'charge it.' This is not battery service."

"We have an agreement with the banks by which they sell no soup and we cash no checks."

### A Good Excuse

**A** CREDIT MANAGER, who was amused by one of the replies to collection letters recently printed in the CREDIT MONTHLY, sends in the following gem:

"We received your letter of November 6th, together with statement in which show us our account past due according to terms.

"Will you please wait us little longer for which we pay you o/o acceptance you want, reason for holding payment is another havi bills which we have to pay now, we are."

**CREDIT MONTHLY**

# VARIETY

In insuring the modern business house, be it mercantile or manufacturing, the agent of the Aetna Fire Group has available a variety of protection, a form for every insurable contingency. His foresighted application of this protection strengthens credit, stabilizes business.



**AETNA**  
INSURANCE COMPANY

**THE WORLD FIRE AND MARINE INSURANCE CO.**

**THE CENTURY INDEMNITY COMPANY**  
HARTFORD, CONNECTICUT

When writing to Aetna Insurance Co., please mention Credit Monthly



## of Bankruptcy Laws

HERE are four main difficulties with the present bankruptcy laws and each of the four comes under the head of "too much" or "too many," declared Judge Samuel H. Sibley, in an address before the Atlanta Association of Credit Men at the Athletic Club on the occasion of their January Meeting. In his talk Judge Sibley suggested more activity on the part of creditors in bankruptcy proceedings for their own interests.

"In the first place, there are too many bankrupts," he declared; "then there is the question of too much unnecessary expense in the administration of bankruptcy cases, too many discharges where discharges are not deserved, and too much abuse of the homestead provisions of the bankruptcy law."

He cited figures for the past fiscal year in the northern district of Georgia showing that there were approximately 1,200 bankruptcy cases closed, wiping out liabilities of some \$8,000,000 and distributing assets of \$673,000. Wage earners formed eighty per cent. of these bankrupts, he stated, and nearly ninety per cent. of these were non asset cases.

"The two main objects of the law are to obtain an equal and impartial distribution of the property of a failing debtor," he continued, "and to give a worthy man a chance for a new start when circumstances merit such action. Both these objects are being defeated by the present trend, and it is as much the fault of the creditors as anyone else. You do not use the power which is given you, and you have no one but yourselves to blame."

Judge Sibley flayed the practice of allowing trustees and receivers to incur unnecessary expense by hiring lawyers when the case does not warrant such procedure, and also hit the numerous voluntary bankruptcies of wage earners with small debts which do not warrant bankruptcy proceedings.



**A Model Retail Store**

*A Model Grocery Store demonstrating the principles of modern retail food merchandising is one of the features of the new club rooms recently opened by the Chicago-Cook County Retail Grocers' and Butchers' Association in Chicago. The picture above gives a view of one of the club rooms and the display windows of the store which follows the layout of the Model Store set up at Louisville by the U. S. Department of Commerce during its survey of the retail grocery trade in that city.*

## Great American Insurance Company

**New York**

INCORPORATED - 1872

Choose  
Your  
Company

Choose  
Your  
Company

**CAPITAL**

**\$16,000,000**

**LOSSES PAID POLICY HOLDERS**

**\$204,088,888.03**

**FIRE, MARINE AND KINDRED INSURANCE**

**HOME OFFICE, ONE LIBERTY STREET,  
NEW YORK CITY**

**AGENCIES THROUGHOUT THE UNITED STATES, CANADA.**

**CUBA AND PORTO RICO**

# Court Decisions and Washington Notes

## Banks and Banking

### FAILURE OF BANK. EFFECT ON CHECK.

The appellant railroad company, having on deposit with the Dublin bank more than \$4,000, requested that bank to transmit \$4,000 to its deposit account in the Citizens & Southern Bank at Savannah. The Dublin bank mailed its check to the Savannah bank for credit to the appellant's account. The check reached Savannah Saturday, but the Savannah bank closed its business for that day at noon and did not open the letter containing the check until after nine o'clock on Monday the 24th. Before that letter was opened by it the Savannah Bank received a telegram from the Dublin bank reading as follows: "This is to notify you that the First National Bank of Dublin failed to open this morning by order of the directors of said bank." Both appellant and the receiver demanded payment. Defendant brought a bill of interpleader, and paid the money into court, which by final decree ordered it paid to the receiver. Held that the notice could only mean that the Dublin bank had failed, and that its check should not afterwards be paid. The appellant was the payee of the check and could have no right of action upon it against the Savannah bank until the latter had accepted it. The check was a mere order for the payment of money and the maker of it had the right to withdraw the order and stop payment at any time before acceptance. The decree in favor of the receiver was correct. *Wrightsville & Tennille R. R. Co. vs. Citizens & Southern Nat. Bank et al* U. S. C. C. A. 5th Cir. (Ga.) Decided December 19, 1929.

### ACCORD AND SATISFACTION.

A payment made by check accompanied by a letter written to the creditor in another city, which check was indorsed by the creditor and deposited in bank for collection, held to be an accord satisfaction, since the tenor of the letter was such that the creditor was bound to know that the tender of payment was made on condition that it be accepted in full satisfaction of their controversy. *Meyers Stores Inc. vs. Wurzburg Brothers*. Supreme Ct. Arkansas. Received December 17, 1929.

## Bankruptcy

### BANKRUPTCY OF LESSEE. DAMAGES. RECOVERABLE FOR BREACH OF LEASE.

Here, we find the lessee in a lease for two years agreeing that the mere filing of a petition in bankruptcy against him shall be deemed a breach and thereupon, ipso facto, it shall be terminated and the lessor shall become entitled to re-enter also to recover damages equal to the full amount of the rent reserved for the remainder of the term. Held that the amount thus stipulated is so disproportionate to any damage reasonably to be anticipated in the circumstances disclosed that we must hold the provision is for an unenforceable penalty. The parties were consciously undertaking to contract for payment to be made out of the assets of a bankrupt estate—not for something which the lessee personally would be required to discharge. He therefore, had little, if any, immediate concern with the amount of the claim to be presented; most probably, that would affect only those entitled to share in the proceeds of property beyond his control.

The broad purpose of the Bankruptcy Act is to bring about an equitable distribution of the bankrupt's estate among creditors holding just demands based upon adequate consideration. Any agreement which tends to defeat that beneficent design must be regarded with disfavor. Considering the time which the lease here involved had to run, nothing else appearing, it seems plain enough that the real design of the challenged provision was to insure to the lessor preferential treatment in the event of bankruptcy. The record discloses no circumstances sufficient to support a contrary view. If the term were much shorter, or there were facts tending to disclose a proper purpose, the argument in favor of the lessor would be more persuasive. *Kothe vs. R. C. Taylor Trust*. U. S. Supreme Co. Decided January 6, 1930.

### ADJUDICATION OF BANKRUPTCY. INVOLUNTARY PETITION.

Appeal from a decree adjudging the appellant, Myron M. Navison Shoe Company, Inc., a bankrupt on the involuntary petition of a single creditor, the Lane Shoe Company. The petition alleged that all of the creditors of the Navison Shoe Company, Inc., "are less than twelve in number." The only act of bankruptcy alleged and relied upon by the petitioner, was a general assignment for the benefit of creditors. The answer specifically denied the allegation of the petition that the creditors "are less than twelve in number." Held that it is settled for this circuit that the number of creditors outstanding at the time of the filing of the petition is the number to be counted in determining whether a single creditor can maintain a petition, based on the allegation that the number of creditors is less than twelve; and that that allegation is jurisdictional. There were more than twelve creditors; and the order of adjudication was improper, unless some valid reason, disclosed by the facts found by the master, requires a different conclusion. The primary facts show that the day following the general assignment, the assignee, as was his duty in the administration of the trust, caused a letter to be sent to each of the creditors of the Navison Shoe Company, Inc., including the Lane Shoe Company, informing them that there were about thirty creditors; that in preliminary hearings in the equity suit in the state court, the Lane Shoe Company was informed that only four creditors had assented to the assignment; and that on November 6, 1928, just four days prior to filing the petition, it was again informed, in the sworn answer filed in the equity suit, that there were in all, on July 13, 1928, about thirty creditors. It is incredible that the petitioner did not believe the information that had been given it, or having such information did not suspect, what it affirmed in its petition to be true was false, in which event its conduct would be fraudulent; for one cannot affirm as of his own knowledge a thing to be true, intending it to be relied upon, if he suspects it to be false, without being guilty of fraud. Petition dismissed. *Myron M. Navison Shoe Co., Inc. vs. Lane Shoe Co.* U. S. C. C. A. 1st Ct. (Mass.) Decided December 23, 1929.

### SECURITY UNDER LEASE. RECOVERY BY TRUSTEE.

Suit by a trustee in bankruptcy to re-

cover money deposited by the bankrupt security under the terms of a lease for restaurant space in appellant's hotel. Held that while the security is referred to as liquidated damages, the words are immediately followed by the phrase "in the event of the impossibility of ascertaining or definitely arriving at the exact amount of damages which the lessor would sustain or suffer as a result of said default," such words qualify liquidated damages. It is evident that the parties did not intend to regard the deposit as liquidated damages in any event, but only in case it should be impossible to ascertain or definitely arrive at the exact amount of damages. If there is unpaid rent due for any of the period of the occupancy prior to the bankruptcy, the deposit money could be retained, or so much thereof, as would satisfy the full amount of the sum due, but the record does not show a default as to such payments. The appellee was lawfully entitled to a recovery of the amount of such deposit. *Belstrat Hotel Corporation vs. Somoff*. U. S. C. C. A. 2nd Cir. (N. Y.) Decided January 6, 1930.

### ASSIGNMENT FOR CREDITORS. FRAUDULENT CONVEYANCES.

Appeal from an order, reversing, on petition of certain creditors for review, an order of the referee, and requiring the trustee to return to the assignee named in a general assignment for the benefit of creditors, executed by the bankrupt prior to their adjudication, all property which had been received from such assignee in the course of the bankruptcy proceedings under the claim that it constituted assets of the bankrupt estate. Clark & Benson as a partnership and as individuals were adjudged bankrupts on February 11, 1928. On February 24, 1927, they had made an assignment to Shearman of all the partnership property for the benefit of creditors; and on March 28, 1927, they made another assignment to Shearman both as partners and as individuals of all their property. Both assignments purported to authorize Shearman to continue the business. Shearman gave bond under each for only \$10,000. It is admitted that the bonds were grossly inadequate. Held that the primary purposes of the assignments were to put the property of the assignors beyond the reach of creditors who had suits pending and at the same time to continue to operate the business in the usual way. The giving of authority to the assignee to continue to operate the business, and the acceptance from him of bonds that were wholly inadequate, were major badges of fraud, whether they were sufficient to render the assignments void or not. Under the Bankruptcy Act, the trustee of a bankrupt estate takes title to all property transferred by the bankrupt in fraud of his creditors, and his right to assert title is not subject to the limitation of four months which is applicable under other sections of the Bankruptcy Act. If a creditor could have avoided a fraudulent conveyance under the State law, the trustee in bankruptcy may also avoid it. These transfers could have been set aside under Compiled General Laws of Florida, 85751. The voluntary surrender of the property by the assignee rendered suit by the trustee unnecessary. Order appealed from reversed. *Williamson vs. Leith et al*. U. S. C. C. A. 5th Cir. (Florida.) Decided December 21, 1929.

CREDIT MONTHLY

## INSOLVENCY. PREFERENTIAL CLAIM.

Where the trustee bank has drawn so heavily against a mingled fund deposited with a particular bank as to partially deplete the trust fund contained in such mingled fund, and the very next day makes additional deposits of funds, the source of which is now shown by the evidence, more than sufficient to restore the trust fund, in the absence of evidence to the contrary, such trustee will be presumed to have used its own funds, which it had the right to so use, for the purpose of restoring that portion of the trust fund which it had wrongfully withdrawn. *Myers vs. Matulek*. Fla. Sup. Ct. Dec. 28, 1929.

### Bad Check Law

#### BAD CHECK LAW—CONSTITUTIONALITY.

The Act of 1924 (Ga. L. 1924 p. 194) providing that the making of a check by any person knowing that he has not sufficient funds in or credit with the drawee bank shall be prima facie evidence of intent to defraud and a misdemeanor, is held constitutional. *Carver vs. Lowry*. Ga. Sup. Ct. Dec. 11, 1929.

### Unfair Competition

#### UNFAIR COMPETITION. INJUNCTION.

Held that where the only conceivable reason for the use of the name "Dunhill" by the defendant is to trade on the reputation and goodwill of the plaintiff, and that in substance is admitted in the answering affidavit, where it is stated that the name was chosen "because we wanted a name for our men's haberdashery shop that would be associated with the English" because of that people's great reputation in turning out well dressed men," it is no answer that the defendant sells shirts and the plaintiff smokers' requisites; nor is it a defense that the defendant is incorporated, and that the name Dunhill appears in its corporate title. Motion for a preliminary injunction granted. *Alfred Dunhill of London, Inc. vs. Dunhill Shirt Shop, Inc.* U. S. Dist. Ct. So. Dist. of N. Y. Decided December 30, 1929.

#### FIXTURES. INNOCENT PURCHASERS.

Held that where it is a matter of common knowledge that certain classes of machinery are sold and purchased on time, and that the seller retains title until the same is paid for, one who purchases the land to which the same is affixed is under the duty to make inquiry before purchasing to ascertain whether or not vendor's claim of title to the machinery has been fully discharged by payment. *Catlin vs. C. E. Rosenbaum Machinery Co.* Supreme Ct. Arkansas. Decided December 23, 1929.

## WASHINGTON NOTES

These notes are supplied by George C. Shinn, attorney-at-law, Wilkins Building, Washington, D. C.

### Tax Opinions

The General Counsel of the Bureau of Internal Revenue recently gave an opinion, holding that a parent corporation may enter into a contract of suretyship to guarantee the tax liability of its subsidiary. We quote from the opinion as follows:

"The M Company is a voluntary association, the shares of which are owned by the O Company. Its profits are principally of a non-recurrent character, and under its constitution may be distributed only to the O Company. On June, 1927, the M Company filed a separate return, showing an income tax liability of 55x dollars. Of this amount, 26x dollars has been paid, leaving a balance due of 29x dollars. An extension of time was given to pay the balance of 29x dollars, in installments of 14½x dollars, on March 15, 1928, and June 15, 1928. As a condition of the extension of time a bond, running to the United States and conditioned upon the payment of the amount of 29x dollars, was given. Inquiry is made as to whether the Government is protected by the bond; and if so, for what period of time."

"The issues involved are (1) the authority of the surety to act as such; and (2) the limitation period on collection under the bond, if any."

"The bond is binding upon the principal as well as the surety. Therefore, if the debt is readily collectible from the principal, no recourse to the surety need be had. If recourse to the surety should become necessary, it seems clear that the bond is legally binding on that corporation. The surety is a stock corporation organized under the laws of the State of New York, and is subject to the provisions of the stock corporation law of that State, section 18, which authorizes the holding by one corporation of the stock of another. Section 19 of the same statute provided that a corporation having the stock of another may guarantee its bonds. No express authorization to act as surety for a voluntary association has been noted, but it seems certain that, under the circumstances of the instant case, such authority exists by virtue of general law. \* \* \*

"It is now well settled that the limitation periods prescribed for collection of taxes as such are not applicable to suits for recovery under bonds. (United States vs. Barth, 279 U. S. 370, 49 Sup. Ct., 366, Ct. D. 65, C. B. VIII-1, 189). The bond given in this case runs expressly to the United States. The general rule is that the United States is not bound by any statute of limitations unless expressly named therein. (Dollar Savings Bank vs. United States, 19 Wall. 227, 239; United States vs. Railway, 118 U. S. 120, 125); Stanley vs. Schwalley, 147 U. S. 508, 515; United States vs. American Bell Telephone Co., 159 U. S. 548, 554.) Since there is no statutory limitation provision naming the United States which would apply to the bond in the instant case, it follows that the bond is effective for an unlimited time."

The General Counsel of the Bureau of Internal Revenue recently gave an opinion concerning trust estates, and the method of computation of net income and tax. The following is quoted from the syllabus of the opinion:

"In April, 1925, the two children and four grandchildren of C, owners as tenants in common of certain property, entered into a voluntary trust agreement whereby they transferred the property to trustees for the purpose of providing for the widow of C, during her lifetime, one-third of the net income of the property. Upon her death, the corpus of the trust was to vest in the children and grandchildren of C in proportions different from their interests in the income during the existence of the trust."

"Held, the beneficiaries under the trust are not entitled to deduct from their distributive shares of income for 1925 from

the trust a proportionate amount of the depletion sustained by the trust."

\* \* \*

### Employment of Old Men

The Department of Commerce reports that a chain of gasoline stations in the West is operated almost exclusively by men of 60 years of age. The wages of employees, who range in age from 45 to 85 are said to begin at \$75 a month, with future advancement.

The owner is reported to claim that the employment of older men is good business, and not philanthropy, as he finds them more courteous to customers, more reliable, more careful in the care of the stations, and with more pride in their work than younger men.

The Department also reports that Pennsylvania manufacturers are said to have responded generously to the appeal of the State Bureau of Employment of Labor and Industry, to abolish age limits, and let the sole test of employment be, Can the applicant do the work? Nearly 3,000 employers have pledged themselves to consider fitness the only requirement for employment.

\* \* \*

### Market Data Handbook

The market data handbook of the United States, compiled by the Domestic Commerce Division of the Department of Commerce, has recently been issued. It comprises 535 pages of compilation of statistics. Three general types of markets are considered, the general consumer, the farm, and the industrial market.

The publication includes, as supplements, four wall-size trading area maps, showing groupings of counties in and around trade centers.

While its primary use will be in determining sales quotas and in setting up sales budgets, the publication will have value as a general reference book, giving an economic picture of the basic activities of each county and their relative importance and making possible the evaluation of the wealth and standard of living in different sections of the country.

The Handbook may be obtained from the Superintendent of Documents, Government Printing Office, or any District Office of the Bureau of Foreign and Domestic Commerce, for \$2.50.

\* \* \*

### Commerce Yearbook, 1929, Vol. II

Volume II, of The Commerce Yearbook for 1929, has been published, and may be procured from the Superintendent of Documents, Washington, D. C., or from any branch office of the Bureau of Foreign and Domestic Commerce, at one dollar a copy. (Volume I is on the United States.)

The announcement concerning this publication says that "during the last decade this country has become internationally minded—in fact as well as in theory. American products are now shipped to every country in the world; American capital is invested in innumerable foreign enterprises; American travelers are penetrating to remote and hitherto little known areas."

"Whether business man, banker, economist, journalist, or student, you must have occasion at times to ascertain certain economic facts in connection with some foreign country. You will be interested to know that you can find this information, authentic and up-to-date, for 65 different countries, in one compact volume."



# Approved Adjustment Bureaus

as of January 1, 1930

The services offered by each of the Bureaus listed below are indicated by symbols which appear after each listing, as follows:

A—Assignments

C—Collections

R—Receiverships

B—Bankruptcy Claims Representation

P—Personal Contact Service

T—Trusteeships

Consider our Adjustment Bureaus as a part of your Credit Department.

**CALIFORNIA**—Los Angeles—Rehabilitations and Liquidations. Los Angeles Wholesalers Board of Trade, 800 Board of Trade Bldg., F. C. DeLano, Mgr. For Collections, see Collection Division, Los Angeles C.M.A. (AB)

Note: Independent Organization not controlled by but wholeheartedly endorsed by the National Association of Credit Men, and the official Bureau of the Los Angeles Association of Credit Men.

**Los Angeles**—Collections and Traveling Adjuster Service. Collection Division of the Los Angeles C.M.A., 829-30 Board of Trade Bldg., Reid Fulkman, Mgr. For Rehabilitations and Liquidations, see Wholesalers' Board of Trade. (CP)

**Oakland**—Adjustment Bureau of the Oakland A. C. M., 627 Central Bank Bldg., K. S. Thomson, Mgr. (ABCPRT)

**San Diego**—Wholesalers Board of Trade & Credit Association, 573 Spreckles Bldg., Carl O. Retzlaff, Mgr. (ABCPRT)

**San Francisco**—Rehabilitations and Liquidations. Board of Trade of San Francisco, 444 Market St., G. W. Brainard, Sec'y. For Collections, see Collection Dept., San Francisco A.C.M. (ABRT)

Note: Independent Organization not controlled by but wholeheartedly endorsed by the National Association of Credit Men, and the official Bureau of the San Francisco Association of Credit Men.

**San Francisco**—Collections and Traveling Adjuster Service. Collection Department of the San Francisco A. C. M., 500-10 Oceanic Bldg., O. H. Walker, Mgr. For Rehabilitations and Liquidations, see Board of Trade of San Francisco. (CP)

**COLORADO**—Denver—Adjustment Bureau of the Rocky Mountain A. C. M., 810 Fourteenth St., James B. McKelvy, Mgr. (ABCPRT)

**DISTRICT OF COLUMBIA**—Washington—Adjustment Bureau of the Washington A. C. M., 827 Munsey Bldg., John A. Reilly, Mgr. (ABCPRT)

**FLORIDA**—Jacksonville—Credit Association of Northern Florida, P. O. Box 4667, W. B. Oliver, Mgr. (ABCPRT)

**Miami**—Adjustment Bureau of the Southeastern Credit Assn. of Florida, 27 N.W. Miami Court, F. G. Hathaway, Mgr. (ABCPRT)

**Tampa**—Adjustment Bureau of the Tampa A. C. M., 5 Roberts Bldg., S. B. Owen, Mgr. (ABCPRT)

**GEORGIA**—Atlanta—Adjustment Bureau of the Atlanta A. C. M., 305 Chamber of Commerce Bldg., H. E. Moody, Mgr. (ABCPRT)

**IDAHO**—Boise—Adjustment Bureau of the Boise A. C. M., 208-9 McCarty Bldg., H. L. Streeter, Mgr. (ABCPRT)

**ILLINOIS**—Chicago—Adjustment Bureau of the Chicago A. C. M., 1400 Midland Bldg., 176 W. Adams St., Harry W. Cline, Mgr. (ABCPRT)

**INDIANA**—Evansville—Adjustment Bureau of the Evansville A. C. M., 607 Old National Bank Bldg., C. Howard Saberton, Mgr. (ABCPRT)

**Indianapolis**—Adjustment Bureau of the Indianapolis A. C. M., 507 Peoples Bank Bldg., Merritt Fields, Mgr. (ABCPRT)

**South Bend**—Adjustment Bureau of the South Bend A. C. M., 829-30 J. M. S. Bldg., E. J. Payton, Mgr. (ABCPRT)

**IOWA**—Davenport—Adjustment Bureau of the Tri-City Credit Men's Assn., 1001 First National Bank Bldg., H. B. Betty, Mgr. (ABPRT)

**Des Moines**—Adjustment Bureau of the Des Moines A. C. M., 812 Valley National Bank Bldg., Don E. Neiman, Mgr. (ABCPRT)

**St. Louis**—Adjustment Bureau of the Interstate A. C. M., 601 Trimble Bldg., P. A. Lucey, Mgr. (ABCPRT)

**KANSAS**—Wichita—Adjustment Bureau of the Wichita Association of Credit Men, 901 First National Bank Bldg., M. E. Garrison, Mgr. (ABCPRT)

**KENTUCKY**—Lexington—Adjustment Bureau of the Lexington Association of Credit Men, 28 Northern Bank Bldg., E. M. McGarry, Acting Mgr. (ABCPRT)

**Louisville**—Louisville Credit Men's Adjustment Bureau, 3rd Floor, Kenyon Bldg., S. J. Schneider, Mgr. (ABCPRT)

**LOUISIANA**—New Orleans—Adjustment Bureau of the New Orleans Association of Credit Men, 606 Louisiana Bldg., T. J. Bartlette, Mgr. (ABCPRT)

**MARYLAND**—Baltimore—Adjustment Bureau of the Baltimore Association of Credit Men, 301 West Redwood Street, George J. Lochner, Mgr. (ABCPRT)

**MASSACHUSETTS**—Boston—Adjustment Bureau of the Boston Credit Men's Association, 28 Chauncy St., J. M. Paul, Mgr. (ABCPRT)

**Springfield**—Adjustment Bureau of the Western Mass. Assoc. of Credit Men, 616 State Bldg., H. E. Morton, Mgr. (ABCPRT)

**MICHIGAN**—Detroit—Adjustment Bureau of the Detroit Association of Credit Men, 1282 First National Bank Bldg., L. E. Deeley, Mgr. (ABCPRT)

**Grand Rapids**—Adjustment Bureau of the Grand Rapids Credit Men's Association, 450 Houseman Bldg., Edward De Groot, Mgr. (ABCPRT)

**MINNESOTA**—Duluth—Duluth Jobbers Credit Bureau, Inc., 501 Christie Bldg., E. G. Robie, Mgr. (ABCPRT)

**Minneapolis**—Collections and Traveling Adjuster Service; Associated Creditors, Inc., 540-44 Baker Arcade, J. L. Brown, Sec'y-Treas. For Rehabilitations and Liquidations see St. Paul. (CP)

**St. Paul**—Rehabilitations and Liquidations. The Northwestern Jobbers Credit Bureau, 241 Endicott Bldg., W. C. Rodgers, Mgr. For Collections and Traveling Adjuster Service, see Minneapolis. (ABRT)

**MISSOURI**—Kansas City—Adjustment Bureau of the Kansas City Association of Credit Men, 315 Hall Bldg., C. L. Davies, Mgr. (ABCPRT)

**St. Louis**—Adjustment Bureau of the St. Louis Association of Credit Men, 214 N. Sixth St., Orville Livingston, Mgr. (ABCPRT)

**MONTANA**—Billings—Adjustment Bureau of the Montana-Wyoming Association of Credit Men, Box 1184, Meredith Davies, Mgr. (ABCPRT)

**Great Falls**—Adjustment Bureau of the Northern-Montana Association of Credit Men, Box 1784, Mrs. M. M. Berthelote. (ABCPRT)

**NEBRASKA**—Lincoln—See Omaha.

**Omaha**—Adjustment Bureau of the Omaha Association of Credit Men, 1122 Harney St., G. P. Horn, Mgr. (ABCPRT)

**NEW JERSEY**—Newark—Credit Men's Adjustment Bureau, Inc., 17 William St., Wm. H. Whitney, Mgr. (ABCPRT)

**NEW YORK**—Buffalo—Western New York Adjustment Corporation, 705 Erie County Bank Bldg., L. E. Chandler, Mgr. (ABCPRT)

**New York City**—New York Credit Men's Adjustment Bureau, Inc., 468 Fourth Ave., Henry S. DeVault, Mgr. (ABCPRT)

**NORTH CAROLINA**—Charlotte—Credit Interchange and Adjustment Bureau, Inc., of the Charlotte Association of Credit Men, 1117 Commercial Bk. Bldg., J. E. Smith, Mgr. (ABCPRT)

**OHIO**—Cincinnati—Commercial & Industrial Engineering Department of the Cincinnati Association of Credit Men, Temple Bar Bldg., J. L. Richey, Mgr. (ABCPRT)

**Cleveland**—Adjustment Bureau of the Cleveland Association of Credit Men, 410 Leader Bldg., Hugh Wells, Mgr. (ABCPRT)

**Columbus**—Central Ohio Credit Interchange & Adjustment Bureau, 244 So. Third St., J. E. Fagan, Mgr. (ABCPRT)

**Dayton**—Collection Dept. of the Dayton A.C.M., 629 Reibold Bldg., Tom B. Talbot, Jr., Mgr. (C)

**Toledo**—Adjustment Bureau of the Toledo Association of Credit Men, 136 Huron St., H. W. Voss, Mgr. (ABCPRT)

**Youngstown**—Adjustment Bureau of the Youngstown Association of Credit Men, 1105 Mahoning Bank Bldg., H. B. Doyle, Mgr. (ABRT)

**OKLAHOMA**—Oklahoma City—Adjustment Bureau of the Oklahoma City Association of Credit Men, 807 Cotton-Grain Exchange Bldg., E. E. Barbee, Mgr. (ABCPRT)

**OREGON**—Portland—Adjustment Bureau of the Portland Association of Credit Men, 471 Pittcock Block, E. W. Johnson, Mgr., W. Redman, Executive Secretary. (ABCPRT)

**PENNSYLVANIA**—Allentown—Lehigh Valley Adjustment Bureau, 403 Hunsacker Bldg., J. H. T. Reinhard, Mgr. (ABCPRT)

**Philadelphia**—Adjustment Bureau of the Philadelphia Association of Credit Men, 1909 North American Bldg., D. A. Longacre, Mgr. (ABCPRT)

**Pittsburgh**—Adjustment & Service Bureau of The Credit Association of Western Pa., 1210 Chamber of Commerce Bldg., H. M. Oliver, Mgr. (ABCPRT)

**Altoona**—Adjustment Bureau of The Credit Association of Western Pa., 1415 Eleventh Ave., Paul A. Kerin, Dist. Mgr. (ABCPRT)

**Johnstown**—(Eastern Dist. Office) Adjustment Bureau of The Credit Assn. of Western Pa., 632 Swank Bldg., R. H. Coleman, Dist. Mgr. (ABCPRT)

**Uniontown**—Adjustment Bureau of The Credit Association of Western Pa., 701 Fayette Title & Trust Bldg., F. W. Mosier, Dist. Mgr. (ABCPRT)

**RHODE ISLAND**—Providence—Adjustment Bureau of the Rhode Island Association of Credit Men, 87 Weybosset St., C. E. Austin, Jr., Mgr. (ABCPRT)

**TENNESSEE**—Chattanooga—Adjustment Bureau of the Chattanooga Association of Credit Men, 1115 Hamilton Natl. Bank Bldg., J. H. McCallum, Mgr. (ABCPRT)

**Knoxville**—Adjustment Bureau of the Knoxville Association of Credit Men, 504-14 New Sprinkle Bldg., W. E. Bibee, Mgr. (ABCPRT)

**Memphis**—Adjustment Bureau of the Memphis Association of Credit Men, 206 Randolph Bldg., E. C. Correll, Mgr. (ABCPRT)

**TEXAS**—Dallas—North Texas Adjustment & Credit Interchange Bureau, Suite 725, Santa Fe Bldg., Vernor Hall, Mgr. (ABCPRT)

**El Paso**—Adjustment Bureau of the Tri-State Association of Credit Men, 623 Caples Bldg., James Neeson, Mgr. (ABCPRT)

**Houston**—Adjustment Bureau of the Houston Association of Credit Men, 433 First National Bank Bldg., Morris D. Meyer, Mgr. (ABCPRT)

**San Antonio**—San Antonio Wholesale Credit Men's Adjustment Bureau, 313 Alamo National Bank Bldg., Henry A. Hirschberg, Mgr. (ABPRT)

**UTAH**—Salt Lake City—Adjustment Bureau of the Inter-Mountain Association of Credit Men, 1411 Walker Bank Bldg., Robert Peel, Mgr. (ABCPRT)

**VIRGINIA**—Lynchburg—Credit Interchange and Adjustment Bureau of the Lynchburg Association of Credit Men, 405 Lynch Bldg., S. H. Wood, Mgr., Mrs. M. A. Blair, Asst. Mgr. (ABCPRT)

**Richmond**—Richmond Credit Interchange & Adjustment Bureau, Inc., J. P. Abernethy, Mgr., 303-09 Travelers Bldg. (ABCPRT)

**WASHINGTON**—Seattle—Adjustment Bureau of the Seattle A. C. M., 314 Colman Bldg., Peter Balkema, Mgr. (ABCPRT)

**Spokane**—Spokane Merchants Association, 711 Realty Bldg., J. D. Meikle, Mgr. (ABCPRT)

**Tacoma**—Wholesalers' Association of Tacoma, 802 Tacoma Bldg., E. B. Lung, Sec'y, (ABCPRT)

**WEST VIRGINIA**—Clarksburg—Central W. Va. Credit & Adjustment Bureau, 410 Union Bank Bldg., U. R. Hoffman, Mgr. (ABCPRT)

**Huntington**—Tri-State Credit & Adjustment Bureau, 1200 First Huntington National Bank Bldg., E. V. Townshend, Mgr. (ABCPRT)

**Charleston**—(Branch Office) Tri-State Credit & Adjustment Bureau, Room 402-3, 804 Quarrier St., Ira W. Belcher, Mgr. (ABCPRT)

**Wheeling**—Adjustment Bureau of the Wheeling Association of Credit Men, 719-20 Central Union Bldg., E. K. Pfeil, Mgr., L. I. MacQueen, Exec. Mgr., Pittsburgh, Pa. (ABCPRT)

**WISCONSIN**—Milwaukee—Adjustment Bureau of the Milwaukee Association of Credit Men, 706 Mayer Bldg., Jas. G. Rorer, Executive Mgr. (ABCPRT)

**Green Bay**—Adjustment Bureau of the Northern-Wisconsin Michigan Association of Credit Men, 123 N. Washington Street, C. W. Shekey, Mgr. (ABCPRT)

**Oshkosh**—Adjustment Bureau of the Central Wisconsin Association of Credit Men, 311-13 First Natl. Bank Bldg., C. D. Breon, Mgr. (ABCPRT)

CREDIT MONTHLY

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—will open the door to a solution of the difficulties presented by your adjustment and collection problems.

Work out the COMBINATION in letters spelling ADJUSTMENT BUREAUS of the National Association of Credit Men.

These approved bureaus make up a coast-to-coast chain of efficient agencies, organized for service—not profit.

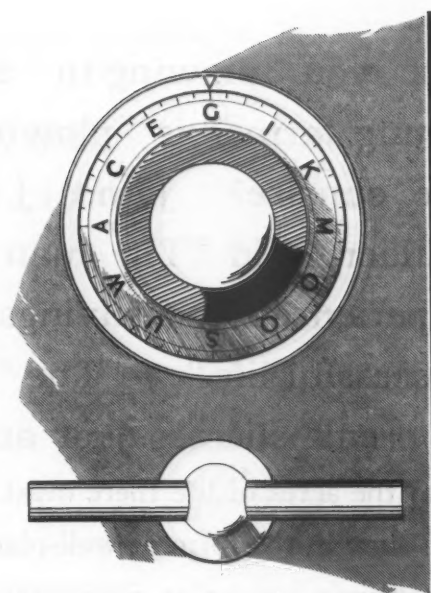
Thousands of firms using the service of these bureaus are reducing their collection costs.

Add this highly-trained army of Adjustment Bureau men to your own credit department.

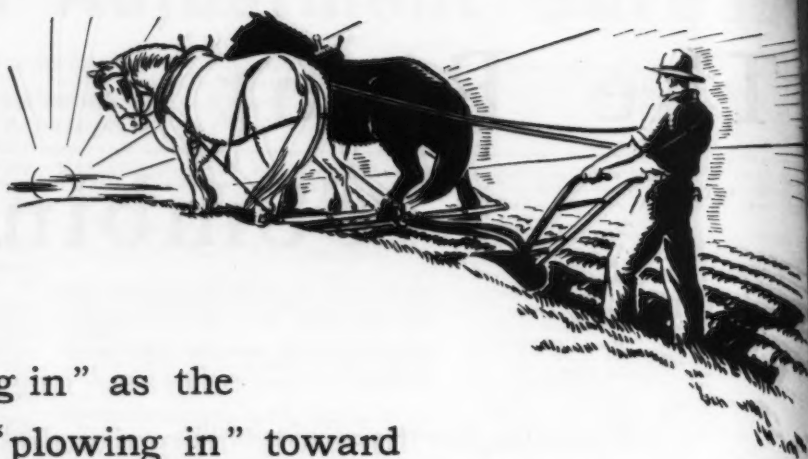
## COLLECTION AND ADJUSTMENT BUREAUS DEPARTMENT

National Association of Credit Men

One Park Avenue, New York



# Plowing in



Are you "plowing in" as the young farmer is "plowing in" toward the sunrise? James J. Hill, the great railroad builder, said "The man who cannot 'plow in' his abilities, experiences and savings will never reap the harvest of a successful life." ☞ The "plowing in" principle is imperative to credit success just as it is imperative to personal success. Into the acres of life there must be a constant "plowing in" of energy, enthusiasm, and time in the form of well-planned study. Well-planned study, from the credit executive's viewpoint, necessitates a continual "plowing in" of the principles of Basic Economics. ☞ This process should start with the beginner in credits and continue upward through the administrative scale to the chief executive of every organization.

A knowledge of Basic Economics is the foundation of credit success. The credit executive must be an economist and a business analyst. He must know the underlying economic trends, and be able to interpret the significance of business changes and developments. ☞ The National Institute of Credit offers

a training in Basic Economics to meet the needs of the progressive credit official. Begin your "plowing in" by cutting along the furrow at the left. Then mail to the National Institute of Credit, One Park Avenue, New York.

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# THE HOME INSURANCE COMPANY NEW YORK

ORGANIZED 1853

WILFRED KURTH, Pres.



ONE HUNDRED-AND-FIFTY-THIRD SEMI-ANNUAL STATEMENT

## Statement as of January 1, 1930

### SUMMARY OF ASSETS

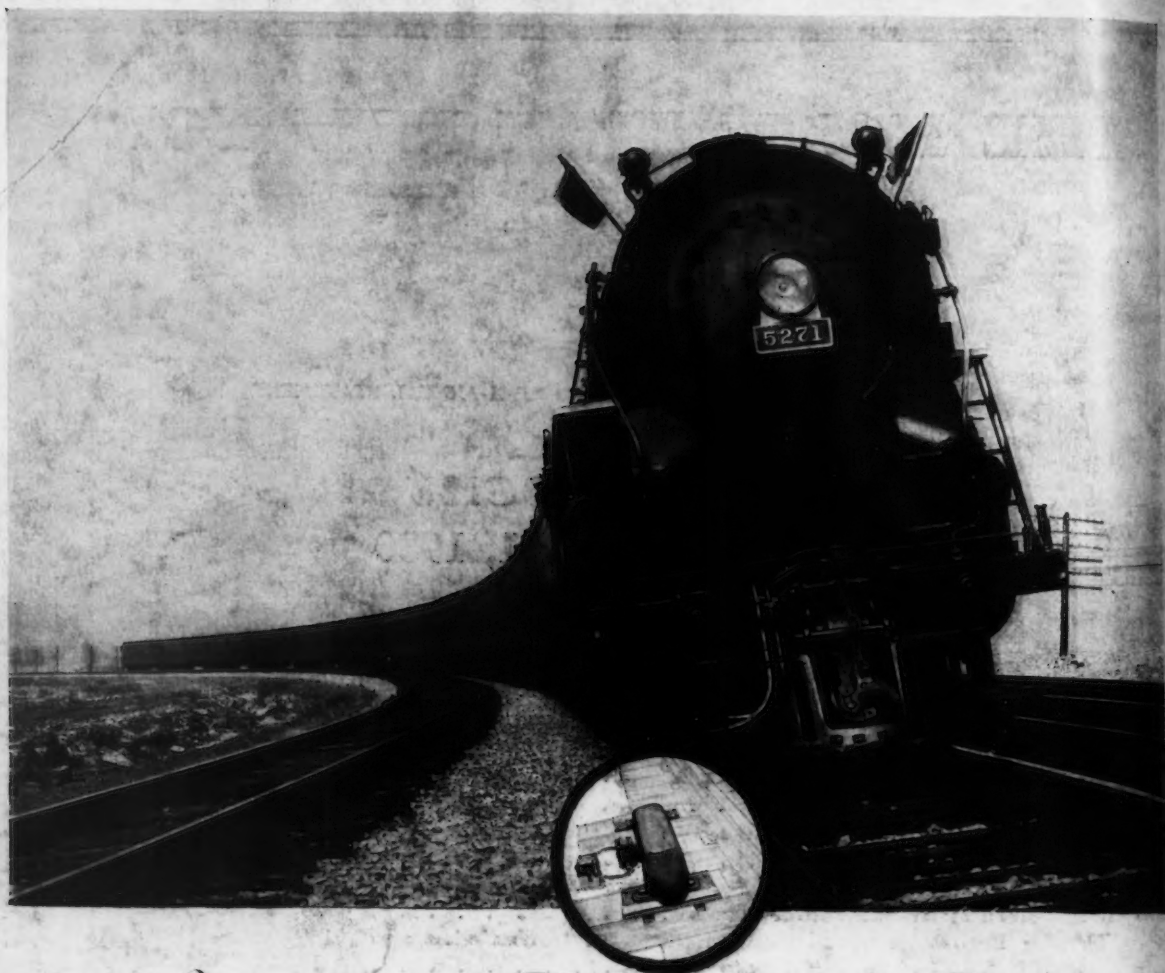
	Market Value
Cash in Banks and Trust Companies . . . . .	\$ 16,826,295.76
Government Bonds . . . . .	9,666,420.00
State and Province Bonds . . . . .	5,667,700.00
County and Municipal Bonds . . . . .	13,420,286.00
Railroad Bonds . . . . .	16,372,945.00
Industrial and other Bonds . . . . .	7,811,025.00
Railroad Stocks . . . . .	20,951,900.00
Bank and Trust Company Stocks . . . . .	1,399,100.00
Industrial and other Stocks . . . . .	25,026,340.00
Premiums uncollected, in course of transmission and in hands of Agents . . . . .	10,364,610.31
Accrued Interest . . . . .	731,118.00
Other Admitted Assets . . . . .	676,340.00
	<hr/> \$128,914,080.07

### LIABILITIES

Cash Capital . . . . .	\$ 24,000,000.00†
Reserve Premium Fund . . . . .	41,393,575.00
Reserve for Losses . . . . .	6,762,174.00
Due for Reinsurance Premiums . . . . .	1,482,398.25
Reserve for Taxes . . . . .	1,750,000.00
Reserve for Miscellaneous Accounts due and unpaid . . . . .	200,000.00
Reserve for Contingencies and Dividends . . . . .	5,000,000.00
	<hr/> NET SURPLUS
	48,325,632.82†
	<hr/> \$128,914,080.07

Surplus as regards policy-holders . . . . . \$ 72,325,632.82†

**Strength • Reputation • Service**



*Security First*



# ROYAL

## INSURANCE COMPANY LTD

DEPARTMENTAL OFFICES

NEW YORK ATLANTA, GA. BOSTON, MASS. CHICAGO, ILL. SAN FRANCISCO, CAL.  
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